

CITY OF GALLATIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared by the City of Gallatin Finance Director

CITY OF GALLATIN, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF GALLATIN, TENNESSEE

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INTRODUCTORY SECTION

CITY OF GALLATIN, TENNESSEE
DIRECTORY
June 30, 2014

ELECTED OFFICIALS

Jo Ann Graves, Mayor
E. Anne Kemp, Council Member
William C. Hayes, Council Member
Ronald E. Mayberry, Council Member
John D. Alexander, Council Member, Vice Mayor
James W. Overton, Council Member
Steve C. Camp, Council Member
Julie Brackenbury, Council Member
Connie Kittrell, Recorder

MANAGEMENT TEAM

Rachel Nichols, Director of Finance, CMFO
Ronnie Stiles, Director of Public Works
David A. Gregory, Superintendent of Public Utilities
Donald Bandy, Chief of Police
William L. Crook, Fire Chief
Charles Stuart, Director of Codes
William McCord, Director of Planning
David Brown, Director of Leisure Services
Debbie Johnson, Director of Human Resources
James Fenton, Director of Economic Development
Nick Tuttle, City Engineer
Mark Kimbell, Electric Department Manager

COUNSEL

Joe H. Thompson
City Attorney
Gallatin, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants

Offices in Tennessee & Kentucky

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Independent Auditor's Report

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Division which is both a major fund and represents 24 percent, 21 percent, and 66 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Division, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee, as of June 30, 2014, and respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the required supplementary information on pages 58 and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and schedules (budgetary comparisons), the supplementary schedules as noted in the supplementary and other information section in the Table of Contents, the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133; Audits of States, Local Governments, and Non Profit Organizations and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules (budgetary comparisons), the schedule of expenditures of federal awards, and the supplementary schedules, except that which is marked "unaudited," are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund financial statements and schedules (budgetary comparisons), schedule of expenditures of federal awards, and the supplementary schedules, except that which have been marked "unaudited" are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, the supplementary schedule, which has been marked "unaudited", and the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 on our consideration of the City of Gallatin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gallatin's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Alexander Thompson Arnold, PE". The signature is written in dark ink and is positioned above the typed name and date.

Jackson, Tennessee
December 5, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gallatin, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. The analysis focuses on significant financial position, budget changes and specific issues related to funds and economic factors affecting the City. It also focuses on current year activities and the resulting changes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$202.91 million as compared to \$188.89 million in the prior year. Of these amounts, \$46.47 million (unrestricted net position) as compared to \$40.35 million in the prior year may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$14.02 million in 2014 compared to an increase of \$8.56 million in 2013.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$15.47 million, an increase of \$4.00 million over the prior year. Approximately \$11.46 million of that total is available for spending at the government's discretion, \$2.72 million is assigned for capital projects \$5.01 million is designated as the minimum fund balance.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11.73 million, or 43.45% of the total general fund expenditures as compared to \$8.76 million the prior year.
- The City's total debt obligations decreased by \$1.83 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.
4. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The business-type activities of the City are made up of Water and Sewer, Natural Gas, and Electric Power services. The government-wide financial statements can be found on pages 11 to 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 14 to 17 of this report.

The City maintains seven governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the General Fund, which is considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 60.

The City adopts an annual appropriated budget for the General Fund and the special revenue funds. Budgetary comparison statements have been provided on pages 23 to 36 and pages 62 to 64 of this report.

Proprietary funds - There are two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Board of Public Utilities Electric, Water and Sewer, and Gas Divisions.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City currently has no internal service funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Natural Gas, and Electric Power operations which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 18 to 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 to 57 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's and Utility's schedules of funding progress for their respective pension plans.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$202.91 million at the close of the most recent fiscal year, as compared to \$188.89 million at the close of the previous year.

By far the largest portion of the City's net position (76.79%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$623 thousand (0.31%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position \$46.47 million (22.90%) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its total governmental and total business-type activities.

Comparisons with the prior year data are presented below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$28,189,778	\$24,065,042	\$ 48,262,793	\$ 43,347,501	\$ 76,452,571	\$ 67,412,543
Capital assets	57,841,530	54,344,934	141,504,326	138,873,382	199,345,856	193,218,316
Total assets	86,031,308	78,409,976	189,767,119	182,220,883	275,798,427	260,630,859
Deferred outflows of resource	-	-	111,328	-	111,328	-
Long-term liabilities	10,681,675	11,083,141	35,217,868	36,524,053	45,899,543	47,607,194
Other liabilities	2,606,880	10,660,810	14,913,205	13,469,475	17,520,085	24,130,285
Total liabilities	13,288,555	21,743,951	50,131,073	49,993,528	63,419,628	71,737,479
Deferred inflows of resources	9,576,842	-	-	-	9,576,842	-
Net position:						
Invested in capital assets, net of related debt	48,317,805	44,409,934	107,506,931	103,558,594	155,824,736	147,968,528
Restricted	615,631	568,020	7,522	7,473	623,153	575,493
Unrestricted	14,232,475	11,688,071	32,232,921	28,661,288	46,465,396	40,349,359
Total net position	\$63,165,911	\$56,666,025	\$139,747,374	\$132,227,355	\$202,913,285	\$188,893,380

The government's total assets increased due to additional capital assets purchased during the year and a significant increase in cash and cash equivalents at year end.

Statement of Activities - Expenses in the governmental activities exceeded program revenues by \$16.60 million. In the business-type activities program revenues exceeded expenses by \$9.58 million. General government revenues and transfers of \$23.39 million offset the governmental activities deficit resulting in a positive change of net assets of \$6.78 million prior to the \$(284) thousand prior period adjustment. Other business-type revenues of \$96 thousand and transfers out of \$1.45 million reduced income in the business type activities leaving a positive change in net assets of \$8.23 million prior to the \$(711) thousand prior period adjustment.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 6,526,770	\$ 4,075,988	\$100,225,082	\$ 91,501,059	\$106,751,852	\$ 95,577,047
Operating grants and contributions	1,527,429	1,109,040	-	-	1,527,429	1,109,040
Capital grants and contributions	3,533,738	3,975,532	2,317,854	1,152,932	5,851,592	5,128,464
General revenues:						
Property taxes	9,930,089	9,999,751	-	-	9,930,089	9,999,751
Other taxes	11,686,352	10,653,049	-	-	11,686,352	10,653,049
Other sources	320,174	347,917	96,026	123,705	416,200	471,622
Total revenues	33,524,552	30,161,277	102,638,962	92,777,696	136,163,514	122,938,973

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses:

General government	\$ 5,147,411	\$ 5,070,240	\$ -	\$ -	\$ 5,147,411	\$ 5,070,240
Public safety	11,778,255	11,626,014	-	-	11,778,255	11,626,014
Engineering	1,412,832	1,112,112	-	-	1,412,832	1,112,112
Environmental services	1,779,918	1,637,569	-	-	1,779,918	1,637,569
Animal control	113,487	108,023	-	-	113,487	108,023
Public works	1,163,412	1,658,029	-	-	1,163,412	1,658,029
Highway and streets	1,403,207	1,208,364	-	-	1,403,207	1,208,364
Vehicle maintenances	420,964	403,696	-	-	420,964	403,696
Parks and recreation	4,043,815	4,290,038	-	-	4,043,815	4,290,038
Economic Development	444,972	280,227	-	-	444,972	280,227
Interest on debt	481,455	433,883	-	-	481,455	433,883
Electric	-	-	65,344,259	63,093,670	65,344,259	63,093,670
Water and Sewer	-	-	11,170,248	10,846,942	11,170,248	10,846,942
Gas	-	-	16,443,781	12,848,397	16,443,781	12,848,397
Total expenses	<u>28,189,728</u>	<u>27,828,195</u>	<u>92,958,288</u>	<u>86,789,009</u>	<u>121,148,016</u>	<u>114,617,204</u>
Revenues over/under expenses	5,334,824	2,333,082	9,680,674	5,988,687	15,015,498	8,321,769
In lieu of taxes in (out)	<u>1,448,787</u>	<u>1,383,147</u>	<u>(1,448,787)</u>	<u>(1,383,147)</u>	<u>-</u>	<u>-</u>
Increase in net position	6,783,611	3,716,229	8,231,887	4,605,540	15,015,498	8,321,769
Net position - beginning	56,666,025	52,712,291	132,227,355	127,621,815	188,893,380	180,334,106
Prior period adjustment	<u>(283,725)</u>	<u>237,505</u>	<u>(711,868)</u>	<u>-</u>	<u>(995,593)</u>	<u>237,505</u>
Net position - beginning - rest:	<u>56,382,300</u>	<u>52,949,796</u>	<u>131,515,487</u>	<u>127,621,815</u>	<u>187,897,787</u>	<u>180,571,611</u>
Net position - ending	<u>\$63,165,911</u>	<u>\$56,666,025</u>	<u>\$139,747,374</u>	<u>\$132,227,355</u>	<u>\$202,913,285</u>	<u>\$188,893,380</u>

In governmental activities, charges for services increased \$2.45 million in 2014. Capital grants and contributions decreased by \$442 thousand. Operating grants and contributions increased \$418 thousand. Other taxes increased by \$1.03 million. Other revenues remained relatively stable. In the business type activities charges for services increased by \$8.72 million and costs of sales and service increased by \$5.00 million due to increased sales during the year.

Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity, and efficiency in local revenue systems to better accommodate future change.

Overall expenses for 2014 were more than expenses in 2013 in the governmental activities by \$361 thousand. For departments with increases, the increases were mainly due to capital projects and grant activities. All departments worked diligently to keep operational spending to a minimum in continued tight economic times.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Based on the statements and discussion, the overall financial position of the City has improved during the period.

The General Fund is the chief operation fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$12.14 million while total fund balance was \$12.39

MANAGEMENT'S DISCUSSION AND ANALYSIS

million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 44.96% of total general fund expenditures in 2014 as compared to 31% in 2013.

The fund balance of the City's general fund increased by \$3.35 million during the current fiscal year. A key factor in this increase was additional revenues received due to ongoing grant funded projects.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are considered business-type activities and are operated similarly. Net position of the proprietary funds increased by \$7.52 million in 2014 as compared to \$4.61 million in 2013.

Unrestricted net position of the proprietary funds amounted to \$32.23 million as compared to \$28.66 million in the prior year. The change in net position (not including prior period adjustments) of the individual proprietary funds were as follows:

- Water and Sewer Fund - \$3.25 million in 2014 compared to \$1.41 million in 2013.
- Natural Gas Fund - \$4.15 million in 2014 compared to \$3.11 million in 2013.
- Electric Fund - \$830 thousand in 2014 compared to \$88 thousand in 2013.

General Fund budgetary highlights - The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a \$2.27 million increase in budgeted expenditures and transfers out from the original budget. The increase of approximately 7.56% was mainly for transfers out.

Actual revenues and other financing sources exceeded budgeted amounts by \$2.87 million. As noted earlier, the largest increase was from grant funded projects and sales tax.

Actual expenditures and transfers out were under budget by \$2.49 million, which was partially due to department heads holding spending but mostly was due to large projects that were budgeted for this year that will continue into next year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2014, the City had invested \$199.35 million net of accumulated depreciation in land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges, and utility systems. The total increase in the City's investment in capital assets for the current fiscal year was 3.17%. Additional information on the City's capital assets can be found in Note 4.C. beginning on page 47 of this report.

Long-term debt - At the end of the current fiscal year, the City had total long-term debt outstanding of \$43.42 million as compared to \$45.26 million at the end of the prior fiscal year. Of this amount, \$9.52 million represents debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e. revenue and tax bonds) of the various enterprise funds. Information on the City's long-term debt can be found in Note 4.E. beginning on page 50 of this report.

The City of Gallatin maintains a "AA-" rating from Standards and Poors for general obligation debt. Also, the City rating from Moody's has been recalibrated to "Aa2".

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General Fund Revenue –Property tax revenues fell slightly as the last effects of the housing market bubble were felt. Other tax revenues and charges for services rose modestly, mainly due to increased public safety and parks and recreation activities along with sales tax collections.

General Fund Expenditures and Capital Outlay – Departments were encouraged to hold down spending and delay purchases that were not of the utmost importance. Most non-routine capital purchases were for infrastructure improvements or were funded with grants.

General Fund Balance – At the end of the current fiscal year, unassigned fund balance in the general fund was \$11.7 million. The increase from the previous year was a combination of better than anticipated revenue collections, especially sales tax revenues, and ongoing capital projects that carried into the next fiscal year.

Next Year's Budget and Rates – The City continues to encourage conservative spending habits by departments and continues to keep a close watch on the national and world economic influences. The City will make any necessary mid-year adjustments to operate within available revenues. Once again, the City has no plans to increase the property tax rate paid by citizens.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Gallatin's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, City of Gallatin, 132 West Main Street, Gallatin, TN, 37066.

BASIC FINANCIAL STATEMENTS

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 11,447,124	\$ 29,819,120	\$ 41,266,244
Certificates of deposit	2,365,000	5,042,513	7,407,513
Investments	21,025	-	21,025
Receivables			
Interest	262,801	-	262,801
Taxes (net of allowance)	9,722,826	-	9,722,826
Accounts (net of allowance)	500,597	10,857,016	11,357,613
Fines (net of allowance)	21,069	-	21,069
Grant	692,691	-	692,691
Intergovernmental	2,522,021	-	2,522,021
Other	177,986	12,602	190,588
Prepayments and other current assets	405,812	183,238	589,050
Materials and supplies	50,826	1,826,572	1,877,398
Restricted assets:			
Cash and cash equivalents	-	7,522	7,522
Other receivables	-	60,417	60,417
Contracts receivable - for home weatherization program	-	453,793	453,793
Capital assets, not being depreciated			
Land	11,730,984	2,413,035	14,144,019
Construction in progress	444,556	757,001	1,201,557
Capital assets, net of accumulated depreciation			
Transmission plant	-	410,576	410,576
Distribution plant	-	100,546,624	100,546,624
General plant	-	890,632	890,632
Buildings	8,419,614	33,947,762	42,367,376
Improvements other than buildings	33,465,032	-	33,465,032
Equipment	694,447	579,992	1,274,439
Rolling stock	2,761,745	972,134	3,733,879
Office furniture and equipment	325,152	69,862	395,014
Acquisition adjustments	-	916,708	916,708
Total assets	86,031,308	189,767,119	275,798,427
Deferred outflows of resources			
Loss on bond refunding	-	111,328	111,328
Total deferred outflows of resources	\$ -	\$ 111,328	\$ 111,328

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Liabilities			
Checks written against future deposits	\$ 352,752	\$ -	\$ 352,752
Accounts payable	1,020,860	12,180,345	13,201,205
Accrued expenses	447,663	306,751	754,414
Accrued interest	1,787	18,724	20,511
Customer deposits	-	2,407,385	2,407,385
Unearned revenue	35,018	-	35,018
Performance deposits	748,800	-	748,800
Long-term liabilities			
Due within one year	993,162	1,684,460	2,677,622
Due in excess of one year	9,688,513	33,533,408	43,221,921
Total liabilities	13,288,555	50,131,073	63,419,628
Deferred inflows of resources			
Unavailable property taxes	9,546,819	-	9,546,819
Unavailable evidence funds	30,023	-	30,023
Total deferred inflows of resources	9,576,842	-	9,576,842
Net Position			
Net investment in capital assets,	48,317,805	107,506,931	155,824,736
Restricted for			
Workman's compensation adjustment	-	7,522	7,522
Funds held in trust	407,168	-	407,168
Police special projects	17,477	-	17,477
Drug enforcement	190,986	-	190,986
Unrestricted	14,232,475	32,232,921	46,465,396
Total net position	\$ 63,165,911	\$ 139,747,374	\$ 202,913,285

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 5,147,411	\$ 816,888	\$ 211,295	\$ 584,099	\$ (3,535,129)	\$ -	\$ (3,535,129)
Public safety	11,778,255	2,577,573	373,708	1,202,399	(7,624,575)	-	(7,624,575)
Engineering	1,412,832	-	-	1,685,729	272,897	-	272,897
Environmental services	1,779,918	1,576,397	-	-	(203,521)	-	(203,521)
Animal control	113,487	-	-	-	(113,487)	-	(113,487)
Public works	1,163,412	-	-	-	(1,163,412)	-	(1,163,412)
Highways and streets	1,403,207	-	845,317	-	(557,890)	-	(557,890)
Vehicle maintenance	420,964	133,244	-	-	(287,720)	-	(287,720)
Parks and recreation	4,043,815	1,422,668	-	-	(2,621,147)	-	(2,621,147)
Economic development	444,972	-	97,109	61,511	(286,352)	-	(286,352)
Debt service	481,455	-	-	-	(481,455)	-	(481,455)
Total governmental activities	28,189,728	6,526,770	1,527,429	3,533,738	(16,601,791)	-	(16,601,791)
Business-type activities							
Electric	65,344,259	66,528,851	-	149,437	-	1,334,029	1,334,029
Water & Sewer	11,170,248	12,801,277	-	2,168,417	-	3,799,446	3,799,446
Gas	16,443,781	20,894,954	-	-	-	4,451,173	4,451,173
Total business-type activities	\$ 92,958,288	\$ 100,225,082	\$ -	\$ 2,317,854	-	9,584,648	9,584,648
General revenues							
Property taxes - levied for general government					9,502,657	-	9,502,657
In lieu of taxes - other governments					427,432	-	427,432
Sales taxes					8,661,499	-	8,661,499
Franchise taxes					385,802	-	385,802
Alcoholic beverage taxes					1,165,299	-	1,165,299
Business taxes					680,446	-	680,446
Income taxes					793,306	-	793,306
Other sources					146,732	-	146,732
Sale of capital assets					93,484	487	93,971
Unrestricted interest income					79,958	95,539	175,497
Total general revenues					21,936,615	96,026	22,032,641
Transfers							
In lieu of taxes in (out)					1,448,787	(1,448,787)	-
Total general revenues and transfers					23,385,402	(1,352,761)	22,032,641
Changes in net position							
Net position - beginning					6,783,611	8,231,887	15,015,498
Prior period adjustment					56,666,025	132,227,355	188,893,380
Net position, beginning - restated					(283,725)	(711,868)	(995,593)
Net position - ending					56,382,300	131,515,487	187,897,787
					\$ 63,165,911	\$ 139,747,374	\$ 202,913,285

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,390,388	\$ 4,056,736	\$ 11,447,124
Certificates of deposit	2,365,000	-	2,365,000
Investments	-	21,025	21,025
Receivables			
Interest	259,182	3,619	262,801
Taxes (net of allowance of \$349,485)	9,722,826	-	9,722,826
Accounts (net of allowance of \$21,370)	426,107	74,490	500,597
Fines (net of allowance of \$1,898,004)	21,069	-	21,069
Grants	359,800	332,891	692,691
Intergovernmental	2,522,021	-	2,522,021
Other	655	177,331	177,986
Inventories	41,992	8,834	50,826
Prepaid expense	405,812	-	405,812
Total assets	\$ 23,514,852	\$ 4,674,926	\$ 28,189,778
Liabilities			
Checks written against future deposits	\$ -	\$ 352,752	\$ 352,752
Accounts payable	589,480	431,380	1,020,860
Accrued expenses	447,663	-	447,663
Unearned revenue	35,018	-	35,018
Performance deposits	-	748,800	748,800
Total liabilities	1,072,161	1,532,932	2,605,093
Deferred inflows of resources			
Unavailable property taxes	9,683,622	-	9,683,622
Unavailable evidence funds	-	30,023	30,023
Unavailable court fines	21,072	-	21,072
Unavailable grant revenue	350,619	32,030	382,649
Total deferred inflows of resources	10,055,313	62,053	10,117,366
Fund balances			
Nonspendable			
Prepays	405,812	-	405,812
Funds held in trust	-	36,025	36,025
Inventory	41,992	8,834	50,826
Restricted for:			
Funds held in trust	-	371,143	371,143
Police special projects	-	17,477	17,477
Drug enforcement	-	190,986	190,986
Committed for:			
Economic development	205,085	-	205,085
Assigned for			
Capital projects	-	2,715,693	2,715,693
Police special projects	-	13,715	13,715
Cemetery	-	4,707	4,707
Unassigned	11,734,489	(278,639)	11,455,850
Total fund balances	12,387,378	3,079,941	15,467,319
Total liabilities deferred inflows of resources, and fund balances	\$ 23,514,852	\$ 4,674,926	\$ 28,189,778

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2014

Amounts reported for the governmental activities in the statement of net position (Page 12) are different because:

Fund balance - total governmental funds (Page 14)	\$ 15,467,319
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	57,841,530
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.	540,524
Long-term liabilities, including notes, bonds, leases payable, and other long term liabilities are not due in the current period and, therefore, are not reported in the funds.	<u>(10,681,675)</u>
Net position - governmental activities (Page 12)	<u>\$ 63,165,911</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 18,393,292	\$ -	\$ 18,393,292
Licenses and permits	467,638	-	467,638
Intergovernmental	7,118,808	1,549,996	8,668,804
Charges for services	1,905,162	1,576,397	3,481,559
Fines	2,411,513	144,988	2,556,501
Other	626,816	81,523	708,339
Total revenues	<u>30,923,229</u>	<u>3,352,904</u>	<u>34,276,133</u>
Expenditures			
Current			
General government	4,794,421	30,866	4,825,287
Public safety	11,293,615	159,203	11,452,818
Engineering	1,353,632	-	1,353,632
Environmental services	-	1,641,126	1,641,126
Animal control	113,487	-	113,487
Public works	453,374	-	453,374
Highways and streets	1,173,801	201,029	1,374,830
Vehicle maintenance	418,626	-	418,626
Parks and recreation	3,763,086	-	3,763,086
Economic development	444,972	-	444,972
Capital outlay	1,931,953	2,855,894	4,787,847
Debt service			
Principal	860,000	-	860,000
Interest	402,814	-	402,814
Other debt service expense	750	-	750
Total expenditures	<u>27,004,531</u>	<u>4,888,118</u>	<u>31,892,649</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,918,698</u>	<u>(1,535,214)</u>	<u>2,383,484</u>
Other financing sources (uses)			
Transfers in - in lieu of taxes	1,448,787	-	1,448,787
Transfers in	-	2,183,420	2,183,420
Transfers out	(2,183,420)	-	(2,183,420)
Total other financing sources (uses)	<u>(734,633)</u>	<u>2,183,420</u>	<u>1,448,787</u>
Net changes in fund balances	<u>3,184,065</u>	<u>648,206</u>	<u>3,832,271</u>
Fund balances - beginning	9,038,313	2,431,735	11,470,048
Prior period adjustment	165,000	-	165,000
Fund balance - beginning - restated	<u>9,203,313</u>	<u>2,431,735</u>	<u>11,635,048</u>
Fund balances - ending	<u>\$ 12,387,378</u>	<u>\$ 3,079,941</u>	<u>\$ 15,467,319</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2014

Amounts reported for the governmental activities in the statement of activities (Page 13) are different because:

Net change in fund balances - total governmental funds (Page 16)	\$ 3,832,271
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which depreciation exceeded capital outlays in the current period.	2,939,038
The donation of capital assets does not provide current financial resources and are not reported as revenues in the funds	829,300
The sale of capital assets is reported as revenues in the governmental funds. However, in the statement of activities the cost basis in the capital assets is removed and a gain (loss) is reported. This is the amount of the cost basis that was removed from the sales proceeds	(271,742)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,309,139)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net assets.	860,000
Some expenses reported in the statement of activities, such as accrued leave, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(96,117)</u>
Change in net position of governmental activities (Page 13)	<u>\$ 6,783,611</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

Assets and deferred outflows of resources	Electric Division	Water & Sewer Division	Gas Division	Totals
Current assets				
Cash on hand	\$ -	\$ 1,670	\$ 280	\$ 1,950
Cash and cash equivalents - general	7,138,478	8,323,542	14,355,150	29,817,170
Cash and cash equivalents - restricted	7,522	-	-	7,522
Certificates of deposit	5,042,513	-	-	5,042,513
Accounts receivable - trade (net of allowance for uncollectibles)	7,256,077	1,616,949	1,983,990	10,857,016
Accounts receivable - other	-	4,986	7,616	12,602
Prepayments and other current assets	95,891	-	87,347	183,238
Materials and supplies	827,805	362,129	636,638	1,826,572
Portion of non-current receivables due within one year	61,144	-	-	61,144
Total current assets	20,429,430	10,309,276	17,071,021	47,809,727
Noncurrent assets				
Other assets				
Other receivables	60,417	-	-	60,417
Contracts receivable - for home weatherization	392,649	-	-	392,649
Total other assets	453,066	-	-	453,066
Capital assets, not being depreciated				
Land	1,139,141	1,080,861	193,033	2,413,035
Construction in progress	342,468	414,533	-	757,001
Capital assets, net of accumulated depreciation				
Transmission plant	410,576	-	-	410,576
Distribution plant	20,251,668	62,523,624	17,771,332	100,546,624
General plant	890,632	-	-	890,632
Buildings	-	33,144,791	802,971	33,947,762
Operating equipment	-	370,494	209,498	579,992
Rolling stock	-	652,480	319,654	972,134
Office furniture and equipment	-	28,422	41,440	69,862
Acquisition adjustments	916,708	-	-	916,708
Total capital assets	23,951,193	98,215,205	19,337,928	141,504,326
Total noncurrent assets	24,404,259	98,215,205	19,337,928	141,957,392
Total assets	44,833,689	108,524,481	36,408,949	189,767,119
Deferred outflows of resources				
Loss on bond refunding	-	111,328	-	111,328
Total assets and deferred outflows of resources	\$ 44,833,689	\$ 108,635,809	\$ 36,408,949	\$ 189,878,447

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Electric Division	Water & Sewer Division	Gas Division	Totals
Liabilities				
Current liabilities				
Accounts payable	\$ 11,302,161	\$ 65,332	\$ 812,852	\$ 12,180,345
Other accrued expense	306,751	-	-	306,751
Accrued interest	7,097	11,627	-	18,724
Customers' deposits	2,166,165	85,325	155,895	2,407,385
Accrued leave	133,410	-	-	133,410
Current maturities of long-term debt	185,294	1,365,756	-	1,551,050
Total current liabilities	<u>14,100,878</u>	<u>1,528,040</u>	<u>968,747</u>	<u>16,597,665</u>
Noncurrent liabilities				
Bonds payable (less current maturities)	-	32,135,038	-	32,135,038
Accrued leave	172,729	264,511	120,011	557,251
Other post employment benefits	68,309	-	-	68,309
Contracts payable	496,601	-	-	496,601
Advances from Tennessee Valley Authority - Home Insulation Program	276,209	-	-	276,209
Total noncurrent liabilities	<u>1,013,848</u>	<u>32,399,549</u>	<u>120,011</u>	<u>33,533,408</u>
Total liabilities	<u>15,114,726</u>	<u>33,927,589</u>	<u>1,088,758</u>	<u>50,131,073</u>
Net position				
Net investment in capital assets	23,454,592	64,714,411	19,337,928	107,506,931
Restricted	7,522	-	-	7,522
Unrestricted	6,256,849	9,993,809	15,982,263	32,232,921
Total net position	<u>29,718,963</u>	<u>74,708,220</u>	<u>35,320,191</u>	<u>139,747,374</u>
Total liabilities and net position	<u>\$ 44,833,689</u>	<u>\$ 108,635,809</u>	<u>\$ 36,408,949</u>	<u>\$ 189,878,447</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2014

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Operating revenues				
Charges for sales and service	\$ 65,802,230	\$ 12,259,008	\$ 20,474,549	\$ 98,535,787
Forfeited discounts	241,956	137,092	-	379,048
Other operating revenue	484,665	405,177	420,405	1,310,247
Total operating revenues	<u>66,528,851</u>	<u>12,801,277</u>	<u>20,894,954</u>	<u>100,225,082</u>
Operating expenses				
Cost of sales and service	60,325,021	-	13,753,857	74,078,878
Water treatment and pumping	-	1,310,597	-	1,310,597
Transmission and distribution	1,049,621	974,909	1,099,727	3,124,257
Customer service and collection	681,576	502,780	397,508	1,581,864
General administration	1,079,364	875,103	399,160	2,353,627
Sewer collection	-	998,204	-	998,204
Sewer system rehab	-	447,997	-	447,997
Sewer treatment and disposal	-	1,365,825	-	1,365,825
Sewer pretreatment	-	73,167	-	73,167
Maintenance	685,210	-	-	685,210
Customer deposit interest	7,826	-	-	7,826
Amortization - acquisition adjustments	191,136	-	-	191,136
Provision for depreciation	1,324,505	3,225,796	793,529	5,343,830
Total operating expenses	<u>65,344,259</u>	<u>9,774,378</u>	<u>16,443,781</u>	<u>91,562,418</u>
Operating income (loss)	<u>1,184,592</u>	<u>3,026,899</u>	<u>4,451,173</u>	<u>8,662,664</u>
Nonoperating revenues (expenses)				
Interest and other income	82,023	7,537	5,979	95,539
Tap fees	-	787,450	-	787,450
Gain (loss) on sale of capital assets	-	487	-	487
Amortization expense	-	24,571	-	24,571
Interest and other expense	-	(1,420,441)	-	(1,420,441)
Total nonoperating revenues (expenses)	<u>82,023</u>	<u>(600,396)</u>	<u>5,979</u>	<u>(512,394)</u>
Income (loss) before transfers and contributions	<u>1,266,615</u>	<u>2,426,503</u>	<u>4,457,152</u>	<u>8,150,270</u>
Transfers and capital contributions				
Transfers out - in lieu of taxes	(586,510)	(559,614)	(302,663)	(1,448,787)
Capital contributions	149,437	1,380,967	-	1,530,404
Total transfers and capital contributions	<u>(437,073)</u>	<u>821,353</u>	<u>(302,663)</u>	<u>81,617</u>
Change in net position	<u>829,542</u>	<u>3,247,856</u>	<u>4,154,489</u>	<u>8,231,887</u>
Total net position - beginning	<u>29,052,656</u>	<u>72,008,997</u>	<u>31,165,702</u>	<u>132,227,355</u>
Prior period adjustment	<u>(163,235)</u>	<u>(548,633)</u>	<u>-</u>	<u>(711,868)</u>
Total net position - beginning - restated	<u>28,889,421</u>	<u>71,460,364</u>	<u>31,165,702</u>	<u>131,515,487</u>
Total net position - ending	<u>\$ 29,718,963</u>	<u>\$ 74,708,220</u>	<u>\$ 35,320,191</u>	<u>\$ 139,747,374</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Electric Division	Water & Sewer Division	Gas Division	Totals
Cash flows from operating activities:				
Cash received from consumers	\$ 65,519,797	\$ 13,231,403	\$ 19,872,214	\$ 98,623,414
Cash paid to suppliers of goods and services	(60,129,689)	(3,346,261)	(14,535,732)	(78,011,682)
Cash paid to employees for services	(2,129,663)	(3,336,440)	(1,064,341)	(6,530,444)
Interest paid on customer deposits	(7,826)	-	-	(7,826)
Net decrease in TVA loan funds receivable	34,314	-	-	34,314
Net decrease in TVA loan funds payable	(31,338)	-	-	(31,338)
Net change in customer deposits	176,385	17,900	19,940	214,225
Payments in lieu of tax	(586,510)	(559,614)	(302,663)	(1,448,787)
Net cash provided (used) by operating activities	<u>2,845,470</u>	<u>6,006,988</u>	<u>3,989,418</u>	<u>12,841,876</u>
Cash flows from capital and related financing activities:				
Capital contributed by customers and grants	149,437	1,380,967	-	1,530,404
Principal paid on debt	-	(1,280,000)	-	(1,280,000)
Proceeds from the issuance of debt	-	-	-	-
Interest paid on bonds, notes and leases	-	(1,423,566)	-	(1,423,566)
Construction and acquisition of plant	(1,884,784)	(4,654,026)	(1,642,943)	(8,181,753)
Received on sale of assets	-	487	-	487
Plant removal cost	(82,646)	-	-	(82,646)
Payments on notes payable	(124,150)	-	-	(124,150)
Net cash provided (used) by capital and related financing activities	<u>(1,942,143)</u>	<u>(5,976,138)</u>	<u>(1,642,943)</u>	<u>(9,561,224)</u>
Cash flows from investing activities:				
Purchase of investments	(14,969)	-	-	(14,969)
Interest and other income	67,970	7,537	5,979	81,486
Net cash provided (used) by investing activities	<u>53,001</u>	<u>7,537</u>	<u>5,979</u>	<u>66,517</u>
Net increase (decrease) in cash and cash equivalents	956,328	38,387	2,352,454	3,347,169
Cash and cash equivalents - beginning of year	<u>6,189,672</u>	<u>8,286,825</u>	<u>12,002,976</u>	<u>26,479,473</u>
Cash and cash equivalents - end of year	<u>\$ 7,146,000</u>	<u>\$ 8,325,212</u>	<u>\$ 14,355,430</u>	<u>\$ 29,826,642</u>
Cash and cash equivalents				
Unrestricted cash on hand	-	1,670	280	1,950
Unrestricted cash and cash equivalents on deposit	7,138,478	8,323,542	14,355,150	29,817,170
Restricted cash and cash equivalents on deposit	7,522	-	-	7,522
Total cash and cash equivalents	\$ 7,146,000	\$ 8,325,212	\$ 14,355,430	\$ 29,826,642

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,184,592	\$ 3,026,899	\$ 4,451,173	\$ 8,662,664
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization of acquisition costs	1,614,129	3,225,796	793,529	5,633,454
Payments in lieu of tax	(586,510)	(559,614)	(302,663)	(1,448,787)
Tap Fees	-	787,450	-	787,450
Changes in assets and liabilities:				
Accounts receivable	(832,667)	(357,324)	(1,022,740)	(2,212,731)
Materials and supplies	(87,955)	(71,711)	11,368	(148,298)
Prepayments and other current assets	102,066	-	(26,319)	75,747
TVA contracts receivable - home weatherization	34,314	-	-	34,314
Accounts payable and accrued expenses	1,177,813	(99,757)	84,505	1,162,561
Other accrued expense	69,700	-	-	69,700
Accrued interest	369	-	-	369
Customers' deposits	176,385	17,900	19,940	214,225
Accrued leave	11,283	37,349	(19,375)	29,257
TVA contracts payable - home weatherization	(31,338)	-	-	(31,338)
Accrued post employment benefits other than pensions	13,289	-	-	13,289
Net cash provided (used) by operating activities	<u>\$ 2,845,470</u>	<u>\$ 6,006,988</u>	<u>\$ 3,989,418</u>	<u>\$ 12,841,876</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
Revenues:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Taxes:				
Property tax current	\$ 9,275,000	\$ 9,275,000	\$ 9,330,939	\$ 55,939
Property taxes delinquent	350,000	350,000	343,744	(6,256)
Property tax penalty and interest	100,000	100,000	98,322	(1,678)
Local sales tax	5,900,000	5,900,000	6,495,161	595,161
Local beer tax	785,000	785,000	810,857	25,857
Local liquor tax	240,000	240,000	233,322	(6,678)
Business tax	610,000	610,000	654,259	44,259
Privilege tax	24,500	24,500	26,187	1,687
Cable TV franchise fee	345,000	345,000	385,802	40,802
Special assessments	15,000	15,000	14,699	(301)
	<u>17,644,500</u>	<u>17,644,500</u>	<u>18,393,292</u>	<u>748,792</u>
Licenses and permits:				
Beer licenses	2,500	2,500	2,258	(242)
Building permits	275,000	275,000	353,958	78,958
Plumbing permits	45,000	45,000	43,825	(1,175)
Zoning	13,000	13,000	19,381	6,381
Other mechanical permits	50,000	50,000	48,216	(1,784)
Other permits	-	-	-	-
	<u>385,500</u>	<u>385,500</u>	<u>467,638</u>	<u>82,138</u>
Intergovernmental:				
In lieu of tax - Housing authority	6,120	6,120	3,305	(2,815)
In lieu of tax - industry	60,000	60,000	60,692	692
State - sales tax	2,050,000	2,050,000	2,163,241	113,241
State - income tax	700,000	700,000	747,950	47,950
State - beer tax	14,800	14,800	14,327	(473)
State - mixed drink tax	78,000	78,000	106,793	28,793
State - gas and motor fuel tax	775,000	775,000	537,155	(237,845)
State - gas - 1989	-	-	86,204	86,204
State - gas - 3 cent	-	-	159,996	159,996
State - petroleum special	62,000	62,000	61,962	(38)
State - telecomm	2,500	2,500	3,097	597
State - TVA in lieu of tax	345,000	345,000	424,127	79,127
State - excise tax	27,500	27,500	45,356	17,856
State salary supplements	-	-	74,400	74,400
Other federal grants	500	18,590	286,828	268,238
Rail spur grant	-	53,058	43,421	(9,637)

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
Revenues:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Intergovernmental (cont.):				
ARRA #6 Coles Ferry Mitigation	\$ -	\$ -	\$ 26,038	\$ 26,038
TDOT Greenway Phase I	-	-	426,816	426,816
Police department grants	-	20,000	20,000	-
Streetscape grant	-	386,000	193,412	(192,588)
Greenlea Blvd grant	-	-	66,514	66,514
Other state grants	-	1,267,538	1,567,174	299,636
	<u>4,121,420</u>	<u>5,866,106</u>	<u>7,118,808</u>	<u>1,252,702</u>
Charges for services:				
Admin and management services	40,504	40,504	94,587	54,083
Accounting and management services	96,967	96,967	89,129	(7,838)
Personnel services	30,953	30,953	36,780	5,827
Other legal services	68,573	68,573	85,716	17,143
Miscellaneous	5,600	5,600	9,467	3,867
Vehicle maintenance charges	120,000	120,000	133,244	13,244
Rent	33,800	33,800	33,571	(229)
Golf course revenue	702,700	702,700	650,245	(52,455)
Civic center revenue	704,500	704,500	772,423	67,923
	<u>1,803,597</u>	<u>1,803,597</u>	<u>1,905,162</u>	<u>101,565</u>
Fines and forfeitures:				
Fines and forfeitures:	424,000	1,999,000	2,091,794	92,794
A.C.E.S red light revenue	150,000	220,000	289,660	69,660
Drug fines	22,000	22,000	19,259	(2,741)
Drivers education fees	4,250	4,250	10,800	6,550
	<u>600,250</u>	<u>2,245,250</u>	<u>2,411,513</u>	<u>166,263</u>
Other:				
Miscellaneous	2,000	2,000	22,163	20,163
Sale of land	-	-	323,733	323,733
Sale of cemetery lots	10,000	10,000	17,850	7,850
Sale of materials	-	10,405	7,633	(2,772)
Sale of equipment	5,000	29,137	41,493	12,356
Donations	-	-	50	50
Donations - Economic development	-	97,081	97,109	28
Insurance recoveries	-	36,687	36,839	152
Interest	25,000	25,000	79,946	54,946
	<u>42,000</u>	<u>210,310</u>	<u>626,816</u>	<u>416,506</u>
Total revenues	\$ 24,597,267	\$ 28,155,263	\$ 30,923,229	\$ 2,767,966

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
General government:				
Mayor's office:				
Current:				
Salaries	\$ 402,093	\$ 213,101	\$ 203,256	\$ (9,845)
Employee benefits and taxes	55,315	57,312	53,406	(3,906)
Officials fees	48,650	48,650	43,250	(5,400)
Printing & publications	3,400	3,400	3,424	24
Membership fees	24,200	24,200	29,008	4,808
Utilities	3,050	3,050	3,113	63
Other professional services	75,000	75,000	80,019	5,019
Travel and meals	8,450	8,450	2,560	(5,890)
Mayor's expenses	3,600	3,600	3,786	186
Council expenses	16,800	16,800	508	(16,292)
Office supplies	1,900	1,900	2,515	615
Payments in lieu of tax	120,000	120,000	117,302	(2,698)
County portion of liquor tax	45,000	45,000	42,212	(2,788)
Discounts on taxes	12,000	12,000	16,987	4,987
Grants, donations	1,300	1,300	1,638	338
RTA program	30,000	30,000	17,870	(12,130)
Prizes and awards	5,500	5,500	6,545	1,045
Downtown landscape and streetscape	6,586	6,586	6,336	(250)
Miscellaneous	1,045	1,045	2,574	1,529
Noncapital expenditures	1,500	1,733	6,394	4,661
Capital outlay	-	-	3,000	3,000
	<u>865,389</u>	<u>678,627</u>	<u>645,703</u>	<u>(32,924)</u>
Finance department:				
Current:				
Salaries	275,736	278,482	279,015	533
Employee benefits and taxes	74,985	78,884	79,051	167
Postage	4,000	4,000	3,483	(517)
Printing & publications	4,000	4,000	2,896	(1,104)
Membership fees	1,500	1,500	1,049	(451)
Utilities	3,000	3,000	2,251	(749)
Accounting services	45,000	45,000	50,800	5,800
Data processing services	37,500	42,500	32,277	(10,223)
Operating supplies	6,000	6,000	5,954	(46)
Miscellaneous	100	100	351	251
Noncapital expenditures	50,800	50,800	30,819	(19,981)
Capital outlay	-	-	17,700	17,700
	<u>\$ 502,621</u>	<u>\$ 514,266</u>	<u>\$ 505,646</u>	<u>\$ (8,620)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Over (Under)</u>
Expenditures:				
General government:				
City recorder:				
Current:				
Salaries	\$ 299,398	\$ 301,677	\$ 281,259	\$ (20,418)
Employee benefits and taxes	87,848	92,698	87,374	(5,324)
Postage	9,500	9,500	9,651	151
Printing & publications	2,650	2,650	2,804	154
Membership fees	1,500	1,500	675	(825)
Utilities	4,800	4,800	4,526	(274)
Data processing services	40,000	40,000	27,713	(12,287)
Other professional services	5,750	5,750	1,352	(4,398)
Travel	2,000	2,000	1,160	(840)
Other contractual services	1,500	1,500	1,445	(55)
Office supplies	4,220	4,220	3,767	(453)
Court software	-	5,290	1,094	(4,196)
Seatbelt fines to State	-	-	83,427	83,427
Miscellaneous	3,000	3,000	96	(2,904)
Noncapital expenditures	5,850	6,149	5,005	(1,144)
	<u>468,016</u>	<u>480,734</u>	<u>511,348</u>	<u>30,614</u>
 Risk management:				
Current:				
HRA expense	423,000	110,000	106,285	(3,715)
Workers compensation	250,000	250,000	245,301	(4,699)
Building insurance	60,000	60,000	47,160	(12,840)
General liability	260,000	260,000	257,059	(2,941)
Equipment insurance	2,500	2,500	-	(2,500)
	<u>995,500</u>	<u>682,500</u>	<u>655,805</u>	<u>(26,695)</u>
 Attorney:				
Current:				
Salaries	214,299	216,436	215,733	(703)
Employee benefits and taxes	59,162	62,227	60,660	(1,567)
Printing & publications	3,500	3,500	3,044	(456)
Licenses	1,300	1,300	-	(1,300)
Tax law or other publications	13,400	13,400	7,608	(5,792)
Membership fees	2,800	2,800	1,855	(945)

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
General government:				
Attorney:				
Current:				
Utilities	\$ 2,050	\$ 2,050	\$ 1,734	\$ (316)
Legal services	14,000	14,000	16,144	2,144
Other professional services	10,210	12,548	25,595	13,047
Travel and meals	2,250	2,250	59	(2,191)
Office supplies	500	500	205	(295)
Records preservation	10,943	17,915	7,105	(10,810)
Educational supplies	6,000	11,000	-	(11,000)
Miscellaneous	2,450	2,450	1,182	(1,268)
Noncapital expenditures	1,250	1,250	6,210	4,960
	<u>344,114</u>	<u>363,626</u>	<u>347,134</u>	<u>(16,492)</u>
Information technology:				
Current:				
Salaries	139,565	154,861	150,983	(3,878)
Employee benefits and taxes	38,706	41,424	40,501	(923)
Copier expense	800	800	679	(121)
Membership fees	12,000	12,000	4,750	(7,250)
Utilities	42,500	42,500	42,156	(344)
Other professional services	81,000	81,000	56,664	(24,336)
Other contractual services	41,000	41,000	45,645	4,645
Office supplies	3,000	3,000	2,247	(753)
Operating supplies	3,000	3,000	2,893	(107)
Miscellaneous	725	725	139	(586)
Noncapital expenditures	2,500	2,500	7,340	4,840
Capital outlay	106,897	106,897	104,095	(2,802)
	<u>471,693</u>	<u>489,707</u>	<u>458,092</u>	<u>(31,615)</u>
Personnel:				
Current:				
Salaries	120,403	121,477	111,871	(9,606)
Employee benefits and taxes	33,504	35,773	22,208	(13,565)
Printing & publications	5,520	5,520	4,620	(900)
Utilities	2,034	2,034	2,369	335
Physicals	19,126	19,126	17,414	(1,712)
Data processing services	2,500	2,500	2,613	113
Office supplies	700	700	308	(392)
Operating supplies	-	5,000	-	(5,000)
Miscellaneous	2,660	2,660	300	(2,360)
Noncapital expenditures	2,400	2,400	2,255	(145)
	<u>\$ 188,847</u>	<u>\$ 197,190</u>	<u>\$ 163,958</u>	<u>\$ (33,232)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
General government:				
City Planner:				
Current:				
Salaries	\$ 672,117	\$ 679,162	\$ 657,260	\$ (21,902)
Employee benefits and taxes	196,381	207,843	179,711	(28,132)
Planning commission	21,100	21,100	21,153	53
Postage	1,300	1,300	608	(692)
Printing & publications	2,150	2,150	4,125	1,975
Membership fees	7,500	7,500	8,469	969
Utilities	8,000	8,000	9,008	1,008
Data processing services	7,440	7,440	7,740	300
Repairs and maintenance	4,000	4,000	4,001	1
Other Professional Services	-	-	10,679	10,679
Office supplies	5,500	5,500	7,893	2,393
Gas, oil, diesel, etc.	9,500	9,500	8,532	(968)
Credit card fees	2,500	2,500	524	(1,976)
Miscellaneous	400	400	885	485
Noncapital expenditures	2,400	66,817	22,147	(44,670)
Capital outlay	-	-	27,474	27,474
	<u>940,288</u>	<u>1,023,212</u>	<u>970,209</u>	<u>(53,003)</u>
General government buildings:				
Current:				
Salaries	198,106	248,090	195,307	(52,783)
Employee benefits and taxes	68,821	77,770	65,524	(12,246)
Utilities	78,150	78,150	75,892	(2,258)
Repairs and maintenance	22,850	26,690	22,808	(3,882)
Other contractual services	24,000	24,000	23,071	(929)
Inmate crew expense	9,800	9,800	8,891	(909)
Small equipment	750	750	656	(94)
Operating supplies	2,000	2,000	1,894	(106)
Janitorial supplies	7,000	7,000	8,123	1,123
Gas, oil, diesel, etc.	7,000	7,000	5,951	(1,049)
Litter grant	-	31,900	7,264	(24,636)
Miscellaneous	1,450	1,450	1,134	(316)
Noncapital expenditures	61,000	61,000	8,902	(52,098)
Capital outlay	-	-	42,000	42,000
	<u>\$ 480,927</u>	<u>\$ 575,600</u>	<u>\$ 467,417</u>	<u>\$ (108,183)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General government:				
Community services:				
Current:				
Grants and donations	\$ 116,500	\$ 116,500	\$ 115,500	\$ (1,000)
July 4th celebration	16,000	16,000	15,878	(122)
Appropriations to non profits	132,000	132,000	132,000	-
	<u>264,500</u>	<u>264,500</u>	<u>263,378</u>	<u>(1,122)</u>
 Total general government	 <u>5,521,895</u>	 <u>5,269,962</u>	 <u>4,988,690</u>	 <u>(281,272)</u>
Public safety:				
Police:				
Current:				
Salaries	4,272,558	4,314,081	4,277,878	(36,203)
Employee benefits and taxes	1,355,915	1,442,753	1,349,933	(92,820)
Postage	3,000	3,000	2,872	(128)
Printing & publications	28,900	28,900	27,305	(1,595)
Membership fees	32,000	32,000	31,758	(242)
Public relations	1,500	1,875	1,811	(64)
Utilities	71,400	71,400	68,560	(2,840)
Physicals	10,000	10,000	6,378	(3,622)
Data processing services	32,000	32,000	27,251	(4,749)
Repairs and maintenances	81,000	84,607	95,748	11,141
Travel	6,600	6,600	3,082	(3,518)
Other contractual services	35,000	35,000	34,585	(415)
Inmate crew expense	1,500	1,500	1,375	(125)
Reserve officers expense	10,000	10,000	10,051	51
Office supplies	8,000	8,000	6,686	(1,314)
Small office equipment	3,000	3,000	4,978	1,978
Operating supplies	43,000	43,000	42,402	(598)
Janitorial supplies	4,000	4,000	4,992	992
Clothing and uniforms	38,000	38,000	36,469	(1,531)
Fire arm supplies	20,000	25,590	20,819	(4,771)
Other operating supplies	3,000	3,000	2,366	(634)
Gas, oil, diesel, etc.	170,500	170,500	179,487	8,987
Other supplies	6,600	6,600	5,080	(1,520)
Traffic light camera expense	120,000	190,000	189,021	(979)
Noncapital expenditures	33,500	244,818	127,151	(117,667)
Capital outlay	<u>320,000</u>	<u>335,000</u>	<u>255,195</u>	<u>(79,805)</u>
	<u>\$ 6,710,973</u>	<u>\$ 7,145,224</u>	<u>\$ 6,813,233</u>	<u>\$ (331,991)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Expenditures:				
Public safety:				
Fire department:				
Current:				
Salaries	\$ 3,274,293	\$ 3,307,334	\$ 3,254,692	\$ (52,642)
Employee benefits and taxes	1,074,805	1,144,339	1,055,850	(88,489)
Radio and television services	5,000	5,000	2,616	(2,384)
Printing & publications	3,550	3,550	1,459	(2,091)
Membership fees	45,000	45,000	22,593	(22,407)
Utilities	48,000	48,000	50,027	2,027
Physicals	6,000	6,000	3,479	(2,521)
Repairs and maintenance	82,500	83,075	88,930	5,855
Travel	12,000	12,000	4,562	(7,438)
Other contractual services	15,000	15,000	8,925	(6,075)
Office supplies	2,000	2,000	1,177	(823)
Small office equipment	1,000	1,000	785	(215)
Operating supplies	20,000	20,000	15,925	(4,075)
Janitorial supplies	8,000	8,000	7,996	(4)
Clothing and uniforms	36,500	64,268	47,742	(16,526)
Fire prevention supplies	8,500	15,975	12,561	(3,414)
Gas, oil, diesel, etc.	63,000	63,000	59,648	(3,352)
Miscellaneous	300	300	184	(116)
Noncapital expenditures	53,250	178,246	96,426	(81,820)
Capital outlay	6,500	6,500	11,462	4,962
	<u>4,765,198</u>	<u>5,028,587</u>	<u>4,747,039</u>	<u>(281,548)</u>
Total public safety	<u>11,476,171</u>	<u>12,173,811</u>	<u>11,560,272</u>	<u>(613,539)</u>
Engineering:				
Current:				
Salaries	327,431	330,699	331,253	554
Employee benefits and taxes	94,426	99,736	97,571	(2,165)
Printing	2,000	2,000	2,042	42
Licenses	3,500	3,500	3,425	(75)
Membership fees	2,500	2,500	2,817	317
Utilities	6,500	6,500	4,191	(2,309)
Street lights	275,000	275,000	267,665	(7,335)
Professional services	35,000	35,000	7,531	(27,469)
Repairs and maintenance	2,200	2,200	2,323	123

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Engineering:				
Current:				
Other contractual services	\$ 20,000	\$ 26,926	\$ 24,733	\$ (2,193)
Office supplies	1,500	1,500	793	(707)
Operating supplies	20,000	38,551	25,472	(13,079)
Gas, oil, diesel, etc.	5,000	5,000	5,082	82
Permit fees	3,460	3,460	3,460	-
Miscellaneous	2,020	2,020	973	(1,047)
Noncapital expenditures	1,201,434	1,176,053	574,301	(601,752)
Capital outlay	2,714,546	1,703,846	1,167,474	(536,372)
Total engineering	<u>4,716,517</u>	<u>3,714,491</u>	<u>2,521,106</u>	<u>(1,193,385)</u>
Animal control:				
Current:				
Salaries	79,229	80,019	79,563	(456)
Employee benefits and taxes	23,382	24,710	24,569	(141)
Utilities	1,250	1,250	1,277	27
Repairs and maintenance	3,050	3,050	453	(2,597)
Gas, oil, diesel, etc.	10,500	10,500	6,964	(3,536)
Miscellaneous	1,500	1,500	661	(839)
Total animal control	<u>118,911</u>	<u>121,029</u>	<u>113,487</u>	<u>(7,542)</u>
Public works:				
Current:				
Salaries	123,212	124,435	125,074	639
Employee benefits and taxes	34,301	36,160	36,548	388
Utilities	1,500	1,500	743	(757)
Repairs and maintenance	1,000	1,000	28	(972)
Gas, oil, diesel, etc.	3,500	3,500	3,359	(141)
Miscellaneous	1,693	1,693	486	(1,207)
Noncapital expenditures	312,967	454,657	287,136	(167,521)
Capital outlay	-	-	2,076	2,076
Total public works	<u>\$ 478,173</u>	<u>\$ 622,945</u>	<u>\$ 455,450</u>	<u>\$ (167,495)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
Highways and streets:				
Current:				
Salaries	\$ 723,811	\$ 730,426	\$ 622,806	\$ (107,620)
Employee benefits and taxes	256,120	274,029	246,900	(27,129)
Utilities	15,200	15,200	11,300	(3,900)
Physicals	1,000	1,000	1,166	166
Repairs and maintenance	117,540	117,540	77,825	(39,715)
Travel	800	800	1,084	284
Other contractual services	1,250	1,250	739	(511)
Operating supplies	3,200	3,200	1,485	(1,715)
Agricultural and horticultural supplies	4,000	4,000	2,338	(1,662)
Janitorial supplies	1,000	1,000	576	(424)
Clothing and uniforms	6,500	6,500	5,340	(1,160)
Other operating supplies	1,500	1,500	1,048	(452)
Gas, oil, diesel, etc.	77,500	77,500	89,935	12,435
Consumable tools	3,500	3,500	3,488	(12)
Sign parts and supplies	26,000	36,869	31,200	(5,669)
Demolition and mowing	6,000	6,000	5,155	(845)
Other supplies	1,500	1,500	1,995	495
Crushed stone	10,000	10,000	441	(9,559)
Salt	24,000	24,000	26,266	2,266
Drainage material	60,000	60,000	41,321	(18,679)
Miscellaneous	4,650	4,650	1,393	(3,257)
Capital outlay	15,000	15,000	17,150	2,150
Total highways and streets	1,360,071	1,395,464	1,190,951	(204,513)
Vehicle maintenance:				
Current:				
Salaries	209,632	211,710	210,329	(1,381)
Employee benefits and taxes	64,288	68,357	67,489	(868)
Utilities	14,300	14,300	13,805	(495)
Repairs and maintenance	126,500	129,985	114,374	(15,611)
Operating supplies	1,500	1,500	2,287	787
Clothing and uniforms	1,200	1,200	783	(417)
Maintenance supplies	1,500	1,500	129	(1,371)
Gas, oil, diesel, etc.	6,500	6,500	8,452	1,952
Miscellaneous	2,750	2,750	978	(1,772)
	\$ 428,170	\$ 437,802	\$ 418,626	\$ (19,176)

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Over</u> <u>(Under)</u>
Expenditures:				
Parks and recreation				
Leisure services:				
Current:				
Salaries	\$ 365,610	\$ 388,811	\$ 351,907	\$ (36,904)
Employee benefits and taxes	82,406	92,589	82,940	(9,649)
Printing and publications	3,000	3,000	3,302	302
Marketing	-	12,000	2,600	(9,400)
Utilities	1,800	2,400	1,285	(1,115)
Other contractual services	5,000	5,000	2,640	(2,360)
Small equipment	2,500	2,500	3,918	1,418
Operating supplies	40,000	41,500	39,085	(2,415)
Food	70,000	70,000	60,069	(9,931)
Clothing and uniforms	1,000	1,000	-	(1,000)
Gas, oil, diesel, etc.	-	1,200	-	(1,200)
Miscellaneous	2,550	2,550	1,571	(979)
Noncapital expenditures	4,800	5,800	3,486	(2,314)
Capital outlay	-	10,000	9,950	(50)
	<u>578,666</u>	<u>638,350</u>	<u>562,753</u>	<u>(75,597)</u>
 Civic Center:				
Current:				
Salaries	436,186	438,030	467,185	29,155
Employee benefits and taxes	90,464	94,794	91,649	(3,145)
Postage	2,500	2,500	2,117	(383)
Printing and publications	5,000	5,000	4,844	(156)
Utilities	218,750	218,750	195,517	(23,233)
Professional services	8,000	12,000	4,000	(8,000)
Employee physicals	1,000	1,000	1,011	11
Repairs and maintenance	72,000	89,166	63,348	(25,818)
Other contractual services	80,000	80,000	98,983	18,983
Operating supplies	55,000	55,000	60,686	5,686
Food	30,000	30,000	23,827	(6,173)
Janitorial supplies	15,000	15,000	6,552	(8,448)
Miscellaneous	2,100	2,100	774	(1,326)
Noncapital expenditures	36,000	148,032	41,790	(106,242)
Capital outlay	30,500	30,500	27,583	(2,917)
	<u>\$ 1,082,500</u>	<u>\$ 1,221,872</u>	<u>\$ 1,089,866</u>	<u>\$ (132,006)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Over (Under)</u>
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Parks and recreation				
Golf course:				
Current:				
Salaries	\$ 395,869	\$ 398,888	\$ 384,237	\$ (14,651)
Employee benefits and taxes	115,052	121,952	115,748	(6,204)
Printing and publications	3,000	3,000	1,511	(1,489)
Membership fees	1,250	1,250	1,069	(181)
Utilities	37,000	37,000	33,109	(3,891)
Physicals	400	400	264	(136)
Repairs and maintenance	7,500	7,500	5,642	(1,858)
Other contractual services	50,000	50,000	48,787	(1,213)
Items for resale	25,000	25,000	11,952	(13,048)
Operating supplies	20,000	27,000	30,258	3,258
Agricultural and horticultural supplies	55,000	63,420	69,072	5,652
Food	40,000	40,000	32,836	(7,164)
Recreational supplies	500	500	-	(500)
Clothing and uniforms	3,000	3,000	3,195	195
Gas, oil, diesel, etc.	26,000	28,000	22,118	(5,882)
Other equipment parts	25,000	30,000	32,937	2,937
Repair parts for water/sewer lines	2,000	2,000	52	(1,948)
Other repair supplies	2,000	2,000	-	(2,000)
Beer for resale	20,000	20,000	13,372	(6,628)
Discount credit card	10,000	10,000	11,985	1,985
Miscellaneous	1,300	1,300	208	(1,092)
Noncapital expenditures	-	24,675	6,946	(17,729)
Capital outlay	10,000	34,990	53,027	18,037
	<u>849,871</u>	<u>931,875</u>	<u>878,325</u>	<u>(53,550)</u>
 Parks:				
Current:				
Salaries	714,257	719,831	721,167	1,336
Employee benefits and taxes	206,873	219,670	212,590	(7,080)
Miscellaneous	250	250	68	(182)
Utilities	114,500	114,500	120,064	5,564
Physicals	500	500	442	(58)
Repairs and maintenance	93,000	93,000	40,399	(52,601)
Travel	500	500	-	(500)
Other contractual services	10,000	10,000	2,821	(7,179)

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
Parks and recreation				
Parks (Cont.):				
Current:				
Inmate crew meals	\$ 12,000	\$ 12,000	\$ 5,471	\$ (6,529)
Small equipment	4,000	4,000	5,620	1,620
Operating supplies	100,000	100,000	80,985	(19,015)
Agricultural and horticultural supplies	25,000	25,000	22,634	(2,366)
Food	4,000	4,000	9,771	5,771
Clothing and uniforms	2,000	2,000	2,290	290
Gas, oil, diesel, etc.	78,000	78,000	75,231	(2,769)
Noncapital expenditures	25,000	27,968	23,149	(4,819)
Capital outlay	29,000	29,000	29,389	389
	<u>1,418,880</u>	<u>1,440,219</u>	<u>1,352,091</u>	<u>(88,128)</u>
 Total parks and recreation	 <u>3,929,917</u>	 <u>4,232,316</u>	 <u>3,883,035</u>	 <u>(349,281)</u>
 Economic development agency:				
Current:				
Salaries	126,050	127,310	123,670	(3,640)
Employee benefits and taxes	31,492	32,912	31,902	(1,010)
Printing & publications	23,750	26,565	24,064	(2,501)
Membership fees	18,000	18,000	12,978	(5,022)
Public relations	28,000	28,000	17,874	(10,126)
Utilities	2,150	2,150	2,848	698
Repairs and maintenance	1,500	1,500	418	(1,082)
Professional services	1,800	1,800	16,630	14,830
Travel	10,000	10,000	6,625	(3,375)
Sundry	-	-	98,972	98,972
Office supplies	2,000	2,000	2,500	500
Gas, oil, diesel, etc.	5,000	5,000	402	(4,598)
Grants and donations	45,000	35,000	8,800	(26,200)
Miscellaneous	850	850	3,666	2,816
Noncapital expenditures	95,667	113,758	93,623	(20,135)
Capital outlay	-	150,000	164,378	14,378
	<u>\$ 391,259</u>	<u>\$ 554,845</u>	<u>\$ 609,350</u>	<u>\$ 54,505</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
Debt service:				
Principal	\$ 860,000	\$ 860,000	\$ 860,000	\$ -
Interest	412,658	412,658	402,814	(9,844)
Bond costs	1,750	1,750	750	(1,000)
	<u>1,274,408</u>	<u>1,274,408</u>	<u>1,263,564</u>	<u>(10,844)</u>
 Total expenditures	 <u>29,695,492</u>	 <u>29,797,073</u>	 <u>27,004,531</u>	 <u>(2,792,542)</u>
 Excess (deficiency) of revenues over (under) expenditures	 (5,098,225)	 (1,641,810)	 3,918,698	 5,560,508
 Other financing sources (uses)				
Industrial park closing to general fund	-	-	-	-
In lieu of tax payments - utility	1,345,000	1,345,000	1,448,787	103,787
Transfers out	(319,564)	(2,488,307)	(2,183,420)	304,887
Total other financing sources (uses)	<u>1,025,436</u>	<u>(1,143,307)</u>	<u>(734,633)</u>	<u>408,674</u>
 Net changes in fund balances	 <u>\$ (4,072,789)</u>	 <u>\$ (2,785,117)</u>	 <u>3,184,065</u>	 <u>\$ 5,969,182</u>
 Fund balance - beginning			9,038,313	
 Prior period adjustment			<u>165,000</u>	
 Fund balance - beginning - restated			<u>9,203,313</u>	
 Fund balance - ending			<u>\$ 12,387,378</u>	

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Gallatin, Tennessee (City), operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), street maintenance, cemetery maintenance, sanitation collection and disposal, recreation, library, water and sewer, electricity, gas, education, and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the City.

Related organizations

The City's officials are also responsible for appointing the members of the Board of Gallatin Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. The Board of the Authority is appointed by the Mayor, but the city does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will upon the operations of the Authority. Accordingly, the Authority has not been included in the reporting entity.

Joint venture

The City is a participant in the Sumner County Resource Authority, a joint venture, in which it retains an ongoing financial interest. The Authority is a joint venture of Sumner County and the Cities of Gallatin and Hendersonville and operates a solid waste energy recovery plant. The City has no equity interest in the Resource Authority. Complete financial statements of the Authority are available from the City Finance Director.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund also includes the accounting for all solid waste revenues and expenditures.

The City reports the following major proprietary funds:

The electric fund accounts for the activities of the government's electric distribution operations.

The water and sewer fund accounts for the activities associated with the water distribution system, the sewage treatment plant, sewage pumping stations and collection system.

The gas fund accounts for the activities of the government's gas distribution operations.

The financial statements of the City are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described here with Note 1.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the electric and the water and sewer funds are charges for sales to customers for sales and service. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements, and the state's investment pool.

Investments for the City are reported at fair value. The State Local Government Investment Pool is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts.

Property taxes are levied annually and mailed on October 1. The taxes are due and payable from October through February of the next year. An unperfected lien attaches by statute to property on January 1 for unpaid taxes from the prior year's levy. Taxes uncollected by March 1, the year after due may be submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Inventories and Prepaid Items

Inventories of the Water, Sewer, and Gas Funds are valued at the lower cost or market using a weighted-average flow assumption. Inventory of the Electric system is stated at average cost as determined by the moving average inventory method. Inventory of the General fund consists of expendable supplies held for consumption. Governmental fund inventories are recorded at cost under the consumption method.

Restricted Assets

The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. All land, construction in progress, and works of art will be included. The electric, water and sewer, and gas divisions use a threshold of \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Buildings and improvements	25 - 50 years
Transmission and distribution systems	10 - 50 years
General plant	10 - 50 years
Machinery, equipment, and rolling stock	3 - 10 years
Office furniture and equipment	3 - 10 years
Improvements other than buildings	50 years

Compensated Absences

Vacation pay is accumulated at the rate of one week after the first year of employment and two weeks a year for every year until eleven, then one day is added for each year up to a maximum of 20 days (30 days for Electric fund).

Sick leave is accumulated at the rate of one day per month (10 days per year for the Electric fund). At retirement, an employee will be paid accumulated sick leave ranging from 20-50% based on either their age or years of service on effective date of retirement.

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Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for reporting as a deferred outflows or resources are unavailable and are disclosed on pages 11, 14, and 18.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as a deferred inflows or resources are unavailable and are disclosed on pages 12 and 14.

The City reports unavailable property taxes, grant revenues, and public safety revenues as deferred inflows of resources in the governmental fund balance sheet. In the statement of net position, unavailable property taxes related to the subsequent tax year and held evidence funds are reported. The City reports loss on bond refunding as a deferred inflow of resources in the statement of net position as well.

Impact of other recently issued accounting pronouncements

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. GASB Statement 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial periods beginning after December 15, 2012. The implementation of this statement resulted in a restatement of beginning net position of \$548,633 in the water and sewer fund for unamortized debt issuance cost that is now required to be expensed rather than amortized.

In June 2012 the GASB issued Statement No. 67 – *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension

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plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. Management is currently evaluating the impact that the adoption of Statement 68 will have on the City's financial statements.

Net position flow assumption

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by the City's highest level of decision-making authority, (the City Council) and the highest form of authority (ordinances). Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: ordinance). The ordinance must be either approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. If the actual amount of the commitment is not available by June 30th, the ordinance must state the process of formula necessary to calculate the actual amount as soon as information is available.

Assigned fund balance

This classification includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Council and its designee, the Finance Director, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except for the general fund and also negative amounts) that are not classified as nonspendable, restricted, or committed. Any funds assigned must be reported to the Council at the next regular meeting and recorded in the minutes. Council has the authority to assign funds or to remove or change the assignments of the Finance Director with a simple majority vote. Upon passage of a budget ordinance where fund balance is used as a source to balance the budget, the Finance Director shall record the amount as assigned fund balance.

CITY OF GALLATIN, TENNESSEE
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Unassigned fund balance

This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds. At year end the Environmental Services Fund reported a deficit ending unassigned fund balance of \$278,639.

The City will maintain a minimum unassigned fund balance in the general fund equivalent to 20% of that fiscal year's operating expenses, excluding any capital purchases. The minimum unassigned fund balance is established to protect against cash flow shortfalls related to timing of project revenue receipts and to maintain a budget stabilization commitment. In any fiscal year, it shall take the affirmative action of five or more City Council members to approve an appropriation of funds that results in the minimum unassigned general fund balance to drop below 20%. In the event the balance drops below the minimum level, the City Council will develop a plan to replenish the fund balance to the minimum level within two years. The deficiency will be funded by reducing recurring expenditures, by increasing revenues or pursuing other funding sources, or by a combination of the two.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Restricted net position are net assets less related liabilities reported in the government-wide statement of net position that have limitation imposed on their use through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, contributors, legislation, or the other governments.

Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities,

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including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$10,681,675 difference are as follows:

Bonds payable	\$ 6,985,000
Notes payable	2,538,725
Unamortized bond premium	71,944
Compensated absences payable	<u>1,086,006</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 10,681,675</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this \$2,939,038 difference are as follows:

Capital outlay	\$ 4,787,847
Depreciation expense	<u>(1,848,809)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 2,939,038</u>

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$1,309,139 difference are as follows:

Change in deferred property taxes	\$ (345,739)
Change in deferred court fines	21,072
Change in deferred grant revenue	<u>(984,472)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (1,309,139)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds excluding the capital projects funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to year end, the Director of Finance and Mayor submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearing are conducted to obtain taxpayer comments on the budget.

CITY OF GALLATIN, TENNESSEE
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3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Department Heads are authorized to transfer budgeted amounts within their departments; however, any revisions that alter the total expenditures of any department function or fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds excluding the Electric Fund.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Budget appropriations lapse at year end.

As an extension of the formal budgetary process, the City Council may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Council.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2014, the City of Gallatin, Tennessee's Electric Department had \$5,042,513 and the General fund had \$2,365,000 invested in certificates of deposit with local financial institutions. As of June 30, 2014, the cemetery trust fund had unrated stock investments with no maturity.

Interest Rate Risk

In accordance with its formal investment policy, the City manages its exposure to declines in fair values by limiting its investments to certificates of deposit with local financial institutions.

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, all bank deposits were fully collateralized or insured.

CITY OF GALLATIN, TENNESSEE
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B. Receivables

Receivables as of the year end for the government's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Property taxes	\$ 10,072,311	\$ -	\$ -	\$ -	\$ -	\$ 10,072,311
Interest	259,182	-	-	-	3,619	262,801
Accounts	426,107	7,256,077	1,754,190	2,045,792	95,860	11,578,026
Fines	1,919,073	-	-	-	-	1,919,073
Grants	359,800	-	-	-	332,891	692,691
Intergovernmental	2,522,021	-	-	-	-	2,522,021
Other	655	60,417	4,986	7,616	177,331	251,005
Gross receivables	15,559,149	7,316,494	1,759,176	2,053,408	609,701	27,297,928
Less: Allowance for uncollectibles	(2,247,489)	-	(137,241)	(61,802)	(21,370)	(2,467,902)
Net total receivables	\$ 13,311,660	\$ 7,316,494	\$ 1,621,935	\$ 1,991,606	\$ 588,331	\$ 24,830,026

Governmental funds report unearned and unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 136,803	\$ -
2014 property tax assessment	9,546,819	-
Grants	382,649	-
Court fines receivable	21,072	-
Drug fund revenue held	30,023	-
Other receipts prior to earning revenue	-	35,018
Total unavailable revenue for fund financial statements	\$ 10,117,366	\$ 35,018

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

C. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 12,002,726	\$ -	\$ (271,742)	\$ -	\$ 11,730,984
Construction in progress	<u>59,351</u>	<u>409,478</u>	<u>-</u>	<u>(24,273)</u>	<u>444,556</u>
Total capital assets, not being depreciated	<u>12,062,077</u>	<u>409,478</u>	<u>(271,742)</u>	<u>(24,273)</u>	<u>12,175,540</u>
Capital assets being depreciated:					
Buildings	14,064,216	12,922	-	24,273	14,101,411
Improvements other than buildings	41,020,372	3,124,767	-	-	44,145,139
Vehicles	8,987,212	1,790,367	-	-	10,777,579
Equipment	<u>4,543,326</u>	<u>279,613</u>	<u>-</u>	<u>-</u>	<u>4,822,939</u>
Total capital assets being depreciated	<u>68,615,126</u>	<u>5,207,669</u>	<u>-</u>	<u>24,273</u>	<u>73,847,068</u>
Less accumulated depreciation for:					
Buildings and improvements	5,314,162	367,635	-	-	5,681,797
Improvements other than buildings	9,894,335	785,772	-	-	10,680,107
Vehicles	7,548,989	466,845	-	-	8,015,834
Equipment	<u>3,574,783</u>	<u>228,557</u>	<u>-</u>	<u>-</u>	<u>3,803,340</u>
Total accumulated depreciation	<u>26,332,269</u>	<u>1,848,809</u>	<u>-</u>	<u>-</u>	<u>28,181,078</u>
Total capital assets being depreciated, net	<u>42,282,857</u>	<u>3,358,860</u>	<u>-</u>	<u>24,273</u>	<u>45,665,990</u>
Governmental activities capital assets, net	<u>\$ 54,344,934</u>	<u>\$ 3,768,338</u>	<u>\$ (271,742)</u>	<u>\$ -</u>	<u>\$ 57,841,530</u>

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposal</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,413,035	\$ -	\$ -	\$ -	\$ 2,413,035
Construction in progress	421,019	741,182	-	(405,200)	757,001
Total capital assets, not being depreciated	<u>2,834,054</u>	<u>741,182</u>	<u>-</u>	<u>(405,200)</u>	<u>3,170,036</u>
Capital assets being depreciated:					
General plant	-	-	-	-	-
Transmission plant	624,829	157,278	37,879	-	744,228
Distribution plant	162,550,730	6,624,523	237,077	405,200	169,343,376
General plant	2,421,771	274,470	32,159	-	2,664,082
Buildings	37,936,884	-	-	-	37,936,884
Operating equipment	2,346,107	79,942	-	-	2,426,049
Rolling stock	2,042,570	288,859	-	-	2,331,429
Office furniture and equipment	586,002	15,500	-	-	601,502
Total capital assets being depreciated	<u>208,508,893</u>	<u>7,440,572</u>	<u>307,115</u>	<u>405,200</u>	<u>216,047,550</u>
Less accumulated depreciation for:					
General plant	-	-	-	-	-
Transmission plant	385,208	19,521	71,077	-	333,652
Distribution plant	64,856,600	4,246,561	306,409	-	68,796,752
General plant	1,642,255	163,354	32,159	-	1,773,450
Buildings	3,040,530	948,592	-	-	3,989,122
Operating equipment	1,824,534	21,523	-	-	1,846,057
Rolling stock	1,310,150	49,145	-	-	1,359,295
Office furniture and equipment	518,132	13,508	-	-	531,640
Total accumulated depreciation	<u>73,577,409</u>	<u>5,462,204</u>	<u>409,645</u>	<u>-</u>	<u>78,629,968</u>
Total capital assets being depreciated, net	<u>134,931,484</u>	<u>1,978,368</u>	<u>(102,530)</u>	<u>405,200</u>	<u>137,417,582</u>
Business-type activities capital assets, net	<u>\$ 137,765,538</u>	<u>\$ 2,719,550</u>	<u>\$ (102,530)</u>	<u>\$ -</u>	<u>\$ 140,587,618</u>
Total capital assets, net	<u>\$ 192,110,472</u>	<u>\$ 6,487,888</u>	<u>\$ (374,272)</u>	<u>\$ -</u>	<u>\$ 198,429,148</u>

Included in the additions for the governmental activities are \$829,300 in donated infrastructure from developers.

Acquisition adjustments – Acquisition adjustments represent the excess of purchase prices over depreciated cost of additions to the electric plant acquired from others. The acquisition adjustments are being amortized against income on a straight line basis as determined by the Tennessee Valley Authority. The total cost was \$2,311,858 with current year amortization of \$191,136 and total accumulated amortization of \$1,395,150.

CITY OF GALLATIN, TENNESSEE
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 322,124
Public safety	325,437
Engineering	59,200
Environmental services	128,975
Public works	710,038
Highways and streets	28,377
Vehicle maintenance	2,338
Parks and recreation	272,320
Total depreciation expense - governmental activities	<u>\$ 1,848,809</u>
Business-type activities:	
Electric	\$ 1,324,505
Water and sewer	3,225,796
Gas	793,529
Electric charged to other accounts	118,374
Total depreciation expense - business-type activities	<u>\$ 5,462,204</u>

D. Interfund Receivables, Payables, and Transfers

All interfund balances were repaid at year end. The following is a summary of transfers during the year ended June 30, 2014:

Transfers From	Transfers To	Amount
General Fund	Capital Projects Fund	\$2,038,516
Water and Sewer Fund	General Fund	559,614
Gas Fund	General Fund	302,663
Electric Fund	General Fund	586,510
General Fund	Environmental Services Fund	144,904
Total		3,632,207
Governmental fund activities eliminated		<u>(2,183,420)</u>
Total government-wide		<u>\$1,448,787</u>

The purposes of the transfers are noted below:

- The transfers between the general fund and the capital projects fund are for the purpose of covering capital expenses that were made out of the capital projects fund from revenue streams recognized in the general fund.
- The transfers between the proprietary funds and the general fund are for the purpose of transferring in lieu of tax payments
- The transfers between the general fund and the environment services fund are to transfer tax collections that are used to fund sanitation pick up services.

CITY OF GALLATIN, TENNESSEE
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E. Long-term Debt

General long-term debt at June 30, 2014, is comprised of the following:

Bonds Payable

General Obligation Refunding Bonds, Series 2004, due in annual installments from \$335,000 to \$350,000 through August 2014, interest at 2.75% to 3.20%	\$ 335,000
General Obligation Improvement Bonds, Series 2007, due in annual installments from \$130,000 to \$665,000 through January 2027, interest at 4.00% to 5.00%	<u>6,650,000</u>
Total bonds payable	<u>6,985,000</u>

Notes Payable

Capital Outlay Note, Series 2008, due in annual installments From \$355,000 to \$460,000, through January 2019 plus interest at 3.75% to 4.625%	2,090,000
Note with Sumner County Board of Education to pay liquor tax collections that should have been transferred as collected in prior years	<u>448,725</u>
Total bonds payable	<u>2,538,725</u>
Total general long-term debt	<u>\$ 9,523,725</u>

The aforementioned bonds and notes are secured by the full faith and credit of the City. During 2014, debt service for the aforementioned debt was provided by the City General Fund.

Long-term debt of the proprietary funds at June 30, 2014, is comprised of the following:

Notes Payable

Note with Cumberland Electric Membership Coop for additions to electric plant	\$ 496,601
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TVA Winterization Contracts

Loans from TVA for home weatherization loans made by the Electric Department to customers, paid annually over a 10 year period, at interest of 6.0% to 8.0%	461,503
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CITY OF GALLATIN, TENNESSEE
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Bonds Payable

Water and Sewer Revenue and Tax Bonds, Series 2004, due in annual installments from \$285,000 to \$310,000 through August 2017, interest at 2.75% to 3.50% 1,170,000

Water and Sewer Revenue Bonds, Series 2008, due in annual installments from \$675,000 to \$1,830,000 through August 2033, interest at 3.50% to 5.00% 23,335,000

Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, due in annual installments from \$25,000 to \$635,000 through July 2032, interest at 2.00% to 3.625% 8,430,000

Total proprietary long-term debt \$ 33,893,104

The aforementioned notes are secured by the full faith and credit of the City. During 2014, debt service for the aforementioned debt was provided solely by the City's Proprietary Funds.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave at June 30, 2014, are as follows:

Year Ending June 30,	Electric Department		Notes		Bonds		Total	
	Notes and Contracts		Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 185,294	\$ 26,188	\$ 469,745	\$ 81,506	\$ 1,850,000	\$ 1,671,771	\$ 2,505,039	\$ 1,779,465
2016	186,827	22,282	489,745	65,406	1,795,000	1,603,721	2,471,572	1,691,409
2017	187,947	18,316	504,745	48,606	1,865,000	1,531,693	2,557,692	1,598,615
2018	188,909	14,678	524,745	30,791	2,055,000	1,455,481	2,768,654	1,500,950
2019	57,732	10,459	549,745	10,638	1,860,000	1,379,311	2,467,477	1,400,408
2020-2024	151,395	12,628	-	-	10,395,000	5,708,525	10,546,395	5,721,153
2025-2029	-	-	-	-	11,450,000	3,299,287	11,450,000	3,299,287
2030-2033	-	-	-	-	8,650,000	834,506	8,650,000	834,506
	<u>\$ 958,104</u>	<u>\$ 104,551</u>	<u>\$ 2,538,725</u>	<u>\$ 236,947</u>	<u>\$ 39,920,000</u>	<u>\$ 17,484,295</u>	<u>\$ 43,416,829</u>	<u>\$ 17,825,793</u>

Debt expense associated with the above bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

CITY OF GALLATIN, TENNESSEE
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June 30, 2014

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 2,455,000	\$ 448,725	\$ 365,000	\$ 2,538,725	\$ 469,745
Revenue and tax bonds	7,480,000	-	495,000	6,985,000	515,000
Premium on bond issue	80,361	-	8,417	71,944	8,417
Compensated absences	1,067,780	18,226	-	1,086,006	-
	<u>\$ 11,083,141</u>	<u>\$ 466,951</u>	<u>\$ 868,417</u>	<u>\$ 10,681,675</u>	<u>\$ 993,162</u>
Business-type activities:					
Notes payable	\$ 620,751	\$ -	\$ 124,150	\$ 496,601	\$ 124,150
TVA winterization contracts	492,841	-	31,338	461,503	61,144
Revenue and tax bonds	34,215,000	-	1,280,000	32,935,000	1,335,000
Premium on bond issue	596,550	-	30,756	565,794	30,756
OPEB liability	55,020	13,289	-	68,309	-
Compensated absences	661,404	50,635	21,378	690,661	133,410
	<u>\$ 36,641,566</u>	<u>\$ 63,924</u>	<u>\$ 1,487,622</u>	<u>\$ 35,217,868</u>	<u>\$ 1,684,460</u>

Industrial Development Bonds

The City, through its Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Advance Refunding of Bonds

In prior years the City has defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirement on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2014, outstanding bonds considered as defeased were as follows:

Sewer and Water Revenue and Tax Bonds – Series 1997 (2004)	\$ 2,425,000
General Obligation Bonds – Series 1997 (2004)	\$ 1,655,000
Water and Sewer Revenue and Tax Bonds (2012)	\$ 3,190,000

NOTE 5 - OTHER INFORMATION

A. Risk Management

City of Gallatin

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, auto liability, errors and omissions, workers' compensation, and physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for its general, auto, and errors and omissions policies. The Pool

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claim history. It is the policy of the City to purchase commercial insurance for the risk of employee dishonesty and law enforcement professional liability. Settled claims have not exceeded the commercial coverage or the coverage provided by the Pool in any of the past three years.

Gallatin Department of Electricity

Gallatin Electric Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2014, the Utility purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage.

B. Commitments

The City purchases natural gas under various contracts requiring the purchase of minimum quantities of natural gas from suppliers at costs based upon national index prices. Natural gas purchases exceeding the specified minimum quantities are made at the going market value. City management believes any risk associated with the minimum purchase quantities as specified in the aforementioned contracts to be minimal. Further, the City is committed under various natural gas transportation agreements requiring specified minimum transmission capacities.

The City has entered into an agreement with the Sumner County Resource Authority (the Authority), a joint venture between the City, Sumner County, and the City of Hendersonville, TN, which provides that in the event the Authority's revenues are insufficient to cover the costs of operation and debt retirement the County and Cities shall pay such deficit in the proportions of 3/7, 2/7, and 2/7, respectively. These same entities have executed a "contract in Lieu of Performance Bond" with the State of Tennessee for financial assurance of the closure and post closure costs of the landfill should the Authority be unable to do so.

The authority operates primarily as a solid waste transfer station. The City utilizes the Authority for solid waste disposal purposes at essentially the same cost per ton as in prior years. There is uncertainty as to the future operations of the Authority, as well as, the costs relative to the change in operations, or possible dissolution.

The Authority as of June 30, 2014, has net assets invested in capital assets (net of related debt) in the amount of \$1,978,065 and an unrestricted net deficit of (\$379,458) as compared to \$2,126,930 and (\$571,069) for the year 2013. During 2014, the City provided deficit funding in the amount of \$0 and paid the Resource Authority \$502,948 in tipping fees. Deficit funding and tipping fees amounted to \$0 and \$507,834, respectively for 2013.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time; although, the City's management expects such amounts, if any, to be immaterial.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The City is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable, although, legal counsel does not expect any possible liability to exceed the City's limits of insurance.

During the prior fiscal year, it came to the attention of the City personnel that the City along with most other municipalities in the State of Tennessee had not been following TCA 57-4-306(a)(2)(A) regarding the split of liquor tax collections from the State with the local school system. The City negotiated with the Sumner County Board of Education on a settlement and agreed to pay them \$448,725 in five equal annual installments of \$89,745 beginning August 1, 2014. This has been booked as a liability at this time.

D. Power Contract

The Utility has a power contract with the Tennessee Valley Authority (TVA); whereby, the electric system purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging, or otherwise diverting System funds, revenues, or property to other operations of the county and the purchase or payment of or providing security for indebtedness on other obligations applicable to such other operations.

E. Employee Retirement Systems and Pension Plans

City of Gallatin

Plan description

The City (exclusive of the electric utility) administers an IRC Section 401K plan (the plan) with a Roth option. Employees of the City's Municipal Service departments, Water and Sewer Utility Fund, and Natural Gas Utility Fund are eligible to participate in the Plan. The Plan assets are not held by the City and the City does not exercise a trustee responsibility over such assets nor does the City actively participate in the Plan's management or administration, which is delegated to the City of Gallatin Pension Committee. The Pension Committee has designated MetLife as a third-party administrator. Accordingly, the City does not meet the criteria necessary for presentation of the Plan as a fiduciary fund of the City.

Funding policy

The City's Plan allows employees to make tax deferred contributions into self-directed investments of as much as allowable under the Internal Revenue Code. During the fiscal year, the City contributed 5% of the employee's annual compensation and matched up to an additional 4% of the employee's contribution.

Annual pension cost

The City's maximum contribution to the Plan is defined as up to 9% of an eligible employee's annual compensation. The City contributed \$1,257,107 on behalf of the employees during calendar year 2014.

Gallatin Department of Electricity

Plan description

The Gallatin Department of Electricity Employee's Pension Plan is a single-employer defined benefit pension plan administered by the Gallatin Electric Power Board. The Electric Plan provides retirement, disability, and death benefits to the Electric Plan members and their beneficiaries. The

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Electric Plan covers substantially all Department employees. The authority to establish and amend benefit provisions of the Electric Plan is assigned to the Gallatin Electric Power Board. The Electric Plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Acuff & Associates, 210 Westwood Place, Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

Funding policy

The contribution requirements of the Electric Plan members and the department are established and may be amended by the Gallatin Electric Power Board. Electric Plan members are required to contribute 3% of their annual covered salary. The Department is required to contribute at an actuarially determined rate. The current rate is 13.11% of annual covered payroll.

Annual pension cost

The Electric Department's annual pension cost for the year ending June 30, 2014, was \$257,050, of which \$187,350 was contributed by June 30, 2014 and the remaining \$69,700 was recognized as a liability to be paid within sixty days. The required contribution was determined as part of the July 1, 2013, actuarial valuation using the entry age normal cost method amortizing the initial unfunded actuarial accrued liability over 30 years. The Gallatin Electric Power Board approved a monthly payment of the actuarial required contribution based on a 10 year amortization beginning January 2014. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7 percent a year compounded annually, (b) projected salary increases of 4 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation of salaries), and (c) projected 1.5 percent cost of living adjustments. The aggregate cost method was used prior to 2012. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period at July 1, 2013 was 30 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 257,050	100.00%	\$ -
6/30/2013	272,060	100.00%	-
6/30/2012	276,205	72.80%	-

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 88.0% percent funded. The actuarial accrued liability for benefits was \$6.98 million, and the actuarial value of assets was \$6.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$841 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$1.93 million, and the ratio of the UAAL to the covered payroll was 43 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

F. Other Post Employment Benefits

Gallatin Department of Electricity

Plan Description

The Electric Fund Post Retirement Medical Plan ("PRMP is a single employer defined benefit plan administered by the department). The Plan provides supplemental health insurance premium reimbursements to eligible retirees. The criteria to determine eligibility includes years of services and employee age at date of retirement. Eligible retirees may receive up to \$150 per month for reimbursement of their supplemental health insurance premiums. Authority to establish and amend this benefit provision is assigned to the Gallatin Electric Power Board. The PRMP issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Acuff & Associates, 210 Westwood Place, Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

Funding Policy

The PRMP funds the benefits on a pay-as-you-go basis. The contribution requirements of the Department are established and may be amended by the Gallatin Electric Power Board. The actuarial required contribution for the year was \$25,412 and the actual amount contributed was \$12,123.

Annual Cost

For 2014, the Electric Department's annual cost of \$12,123 was less than the Departments actuarial required contribution of \$25,412. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 3.0% interest per year, compounded annually, net of expenses (b) all employees will retire at age 65. The current ARC rate is 1.27 percent of annual covered payroll.

Trend Information			
	Annual Pension	% of Annual	Net Pension
	Cost	APC Cost	Obligation at
Year End	Cost	Contributed	Year End
6/30/2014	\$ 25,412	47.70%	\$ 68,309
6/30/2013	25,412	43.10%	55,020
6/30/2012	25,412	71.80%	40,567

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0.00% percent funded. The actuarial accrued liability for benefits was \$323 thousand, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$323 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$2.00 million, and the ratio of the UAAL to the covered payroll was 16.2 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

G. Prior Period Adjustment

As of June 30, 2014, prior period adjustment were made in the following funds for the following reasons:

- An adjustment was made in the General Fund for \$165,000 due to the fact that a deposit that was made with the State of Tennessee for a grant project should have been set up as a prepaid expense rather than expensed in the prior period.
- An adjustment was made in the Electric Fund for \$(163,235) to reflect a correction in the recognition of pension contributions.
- An adjustment was made in the Water and Sewer Fund for \$(548,633) to remove debt issuance costs from the balance sheet to comply with GASB Statement 65 which changed the reporting requirements of these costs so that they are now expensed as incurred.
- An adjustment was made to the governmental activities for \$(448,725) to record the agreement between the City and the Sumner County Board of Education for the payment of past liquor tax collections.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GALLATIN, TENNESSEE
SCHEDULES OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM
June 30, 2014

Electric Department - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$ 6,138,844	\$ 6,979,793	\$ 840,949	88.00%	\$ 1,934,194	43.00%
7/1/2011	5,556,361	6,346,976	790,615	88.00%	1,989,357	40.00%
7/1/2009	4,725,035	5,310,592	585,557	89.00%	1,807,742	32.00%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; and, therefore only the most current year is presented.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULES OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
June 30, 2014

Electric Department - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ -	\$ 323,339	\$ 323,339	0%	\$ 1,998,592	16.20%
7/1/2008	-	309,700	309,700	0%	1,357,271	22.80%

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Revenue Funds account for specific revenues that are legally restricted to expenditure purposes. The Special Revenue Funds are:

Special Services Fund - To account for sex offender registry payments that are used for specific purposes and private donations to be used for the "Shop with a Cop" Christmas program.

Drug Fund - To account for the resources used for the operation of drug enforcement activities by the City.

Environmental Services Fund - To account for the resources used for the garbage collection activities by the City.

CAPITAL PROJECT FUNDS:

Capital Project Funds account for capital projects within the City. The Capital Projects Fund is:

Capital Projects - To account for large capital projects that are funded with bond proceeds.

PERMANENT FUNDS:

Permanent Funds account for specific revenues for which the corpus of the donation are restricted by external donors. The Permanent Funds are:

Thomas Witherspoon Fund - To account for a donation that was received to make loans to graduating seniors to be used for college.

Cemetery Trust Fund - To account for donations that were received to maintain the cemetery in perpetuity.

**CITY OF GALLATIN, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS**

June 30, 2014

	Special Revenue Funds			Permanent Funds			
	Special Services	Drug	Environmental Services	Capital Projects Fund	Thomas Witherspoon	Cemetery Trust	Totals
Assets							
Cash and cash equivalents	\$ 810,015	\$ 190,986	\$ -	\$ 2,845,835	\$ 205,193	\$ 4,707	\$ 4,056,736
Investments	-	-	-	-	-	21,025	21,025
Receivables:							
Accounts	-	-	74,490	-	-	-	74,490
Interest	-	-	-	-	3,619	-	3,619
Intergovernmental - grants	-	-	-	332,891	-	-	332,891
Other	-	-	-	-	177,331	-	177,331
Inventory	-	-	8,834	-	-	-	8,834
Total assets	\$ 810,015	\$ 190,986	\$ 83,324	\$ 3,178,726	\$ 386,143	\$ 25,732	\$ 4,674,926
Liabilities, deferred inflows of resources, and fund balances							
Liabilities							
Checks written against future deposits	\$ -	\$ -	\$ 352,752	\$ -	\$ -	\$ -	\$ 352,752
Accounts payable	-	-	377	431,003	-	-	431,380
Performance deposits	748,800	-	-	-	-	-	748,800
Total liabilities	748,800	-	353,129	431,003	-	-	1,532,932
Deferred inflows of resources							
Unavailable evidence funds	30,023	-	-	-	-	-	30,023
Unavailable grant revenue	-	-	-	32,030	-	-	32,030
Total deferred inflows of resources	30,023	-	-	32,030	-	-	62,053
Fund balances							
Nonspendable:							
Funds held in trust	-	-	-	-	15,000	21,025	36,025
Inventory	-	-	8,834	-	-	-	8,834
Restricted:							
Funds held in trust	-	-	-	-	371,143	-	371,143
Police special projects	17,477	-	-	-	-	-	17,477
Drug enforcement	-	190,986	-	-	-	-	190,986
Assigned for:							
Capital projects	-	-	-	2,715,693	-	-	2,715,693
Police special projects	13,715	-	-	-	-	-	13,715
Cemetery use	-	-	-	-	-	4,707	4,707
Unassigned	-	-	(278,639)	-	-	-	(278,639)
Total fund balances	31,192	190,986	(269,805)	2,715,693	386,143	25,732	3,079,941
Total liabilities deferred inflows of resources, and fund balances	\$ 810,015	\$ 190,986	\$ 83,324	\$ 3,178,726	\$ 386,143	\$ 25,732	\$ 4,674,926

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	Special				Permanent Funds			
	Revenue Funds		Environmental Services	Capital Projects Fund	Thomas Witherspoon	Cemetery Trust	Totals	
Special Services	Drug							
Revenues								
Charges for services	\$ -	\$ -	\$ 1,576,397	\$ -	\$ -	\$ -	\$ 1,576,397	
Fines and forfeitures	3,900	141,088	-	-	-	-	144,988	
Grant	-	-	-	1,549,996	-	-	1,549,996	
Other	19,288	-	50,250	-	8,042	3,943	81,523	
Total revenues	23,188	141,088	1,626,647	1,549,996	8,042	3,943	3,352,904	
Expenditures								
Current								
General government	-	-	-	30,866	-	-	30,866	
Public safety	21,919	64,715	-	72,569	-	-	159,203	
Engineering	-	-	-	-	-	-	-	
Environmental services	-	-	1,641,126	-	-	-	1,641,126	
Highways and streets	-	-	-	201,029	-	-	201,029	
Capital outlay	-	33,537	347,971	2,474,386	-	-	2,855,894	
Total expenditures	21,919	98,252	1,989,097	2,778,850	-	-	4,888,118	
Excess (deficiency) of revenues over (under) expenditures	1,269	42,836	(362,450)	(1,228,854)	8,042	3,943	(1,535,214)	
Other financing sources (uses)								
Transfers in	-	-	144,904	2,038,516	-	-	2,183,420	
Total other financing sources (uses)	-	-	144,904	2,038,516	-	-	2,183,420	
Net changes in fund balances	1,269	42,836	(217,546)	809,662	8,042	3,943	648,206	
Fund balance - beginning	29,923	148,150	(52,259)	1,906,031	378,101	21,789	2,431,735	
Fund balance - ending	\$ 31,192	\$ 190,986	\$ (269,805)	\$ 2,715,693	\$ 386,143	\$ 25,732	\$ 3,079,941	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SPECIAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures:				
Sex offender registry	\$ 7,000	\$ 7,000	\$ 3,900	\$ (3,100)
Other:				
Donations	20,000	20,000	19,266	(734)
Interest	-	-	22	22
Total revenues	<u>27,000</u>	<u>27,000</u>	<u>23,188</u>	<u>(3,812)</u>
Expenditures				
Public safety:				
Police:				
Current:				
Office supplies	7,000	7,000	7,167	167
Grants and donations	<u>20,000</u>	<u>20,000</u>	<u>14,752</u>	<u>(5,248)</u>
Total expenditures	<u>27,000</u>	<u>27,000</u>	<u>21,919</u>	<u>(5,081)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,269</u>	<u>\$ 1,269</u>
Fund balance - beginning			<u>29,923</u>	
Fund balance - ending			<u>\$ 31,192</u>	

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Fines and forfeitures	\$ 150,000	\$ 150,000	\$ 141,076	\$ (8,924)
Interest			12	12
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>141,088</u>	<u>(8,912)</u>
Expenditures				
Public safety:				
Police:				
Current:				
Supplies	50,000	56,650	64,715	8,065
Capital Outlay	<u>100,000</u>	<u>100,000</u>	<u>33,537</u>	<u>(66,463)</u>
Total expenditures	<u>150,000</u>	<u>156,650</u>	<u>98,252</u>	<u>(58,398)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (6,650)</u>	<u>42,836</u>	<u>\$ 49,486</u>
Fund balance - beginning			<u>148,150</u>	
Fund balance - ending			<u>\$ 190,986</u>	

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
ENVIRONMENTAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,440,219	\$ 1,440,219	\$ 1,576,397	\$ 136,178
Other:				
Sale of supplies	25,000	25,000	36,165	11,165
Miscellaneous	10,000	69,928	14,085	(55,843)
Total revenues	<u>1,475,219</u>	<u>1,535,147</u>	<u>1,626,647</u>	<u>91,500</u>
Expenditures				
Environmental services:				
Current:				
Salaries	559,322	564,654	520,611	(44,043)
Employee benefits and taxes	208,941	221,348	201,647	(19,701)
Insurance	19,000	19,000	25,252	6,252
Utilities	12,700	12,700	17,399	4,699
Repairs and maintenance	51,000	51,000	65,892	14,892
Other contractual services	558,000	558,000	502,948	(55,052)
Supplies	7,800	7,800	6,533	(1,267)
Gas, oil, diesel, etc.	136,000	136,000	129,528	(6,472)
Supplies for resale	25,000	25,000	34,884	9,884
Natural materials	60,000	60,000	47,613	(12,387)
Recycling program	-	59,928	7,845	(52,083)
Professional Services	280	280	68,319	68,039
Miscellaneous	1,740	1,740	1,416	(324)
Noncapital expenditures	25,000	25,000	11,239	(13,761)
Capital outlay	<u>130,000</u>	<u>345,284</u>	<u>347,971</u>	<u>2,687</u>
Total expenditures	<u>1,794,783</u>	<u>2,087,734</u>	<u>1,989,097</u>	<u>(98,637)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(319,564)</u>	<u>(552,587)</u>	<u>(362,450)</u>	<u>190,137</u>
Other financing sources (uses)				
Transfers in	<u>319,564</u>	<u>337,303</u>	<u>144,904</u>	<u>(192,399)</u>
Total other financing sources (uses)	<u>319,564</u>	<u>337,303</u>	<u>144,904</u>	<u>(192,399)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (215,284)</u>	<u>(217,546)</u>	<u>\$ (2,262)</u>
Fund balance - beginning			<u>(52,259)</u>	
Fund balance - ending			<u>\$ (269,805)</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2014

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Outstanding Taxes Being Collected by Chancery Court</u>
2014	0.99	\$ 9,546,819	\$ -	\$ 9,542,926	\$ 9,336,177	\$ 206,749	\$ -
2013	0.99	9,413,801	288,958	(12,322)	216,612	60,024	60,024
2012	0.99	9,438,136	117,038	(4)	67,512	49,522	49,522
2011	0.99	8,947,608	99,409	3,207	65,144	37,472	37,472
2010	0.99	8,655,224	47,156	-	4,629	42,527	42,527
2009	1.12	8,154,892	60,082	-	2,462	57,620	57,620
2008	1.12	7,525,767	35,138	-	1,779	33,359	33,359
2007	1.12	3,505,226	17,632	-	940	16,692	16,692
2006	1.12	3,516,944	10,775	-	935	9,840	9,840
2005	1.12	3,404,526	11,919	-	232	11,687	11,687
2004	1.12	3,458,448	18,851	-	18,851	-	-
			<u>\$ 706,958</u>	<u>\$ 9,533,807</u>	<u>\$ 9,715,273</u>	<u>\$ 525,492</u>	<u>\$ 318,743</u>

Above balances represented as follows:

Considered current revenue	39,204
Allowance for uncollectible accounts	349,485
Deferred revenue	136,803

525,492

2015 property tax assessment

9,546,819

Total taxes receivable

\$ 10,072,311

See independent auditor's report.

CITY OF GALLATIN, TENNESEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2014

Residential Rate Schedule:

Customer charge - per delivery point per month	\$	13.55
Energy charge - cents per kWh		0.08693

General Power Schedule:

GSA (Demand 0-5,000 kW demand)		
Customer charge - per delivery point per month	\$	16.60
1. Less than 50kW demand and not more than 15,000 kWh		
Energy charge - cents per kWh		0.09798
2. Between 51 and 1,000 kW demand with energy usage over 15,000 kWh		
Customer charge - per delivery point per month	\$	30.56
Demand charges - per kW per month		
0-50 kW		9.39
More than 50 to 1,000 kW, per kW		13.02
Energy charge - cents per kWh		
First 15,000 kWh per month		0.09481
Additional kWh per month		0.06764
3. Between 1,001 and 5,000 kW demand		
Customer charge - per delivery point per month	\$	101.86
Demand charges - per kW per month		
0-1,000 kW, per kW		9.39
More than 1,000 to 5,000 kW, per kW		13.02
Energy charge - cents per kWh		0.06761
SGSB (5,001 - 15,000 kW demand)		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
All kW - per kW per month		22.16
Energy charge - cents per kWh		0.05293
SMSB		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
All kW - per kW per month		19.19
Energy charge - cents per kWh		0.04506

See independent auditor's report.

CITY OF GALLATIN, TENNESEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2014

General Power Schedule (Continued):

TDMSD (Demand over 25,000 kW)

Customer charge - per delivery point per month	\$ 1,500.00
Demand charges - per kW per month	
All kW (on peak)- per kW per month	16.22
All kW (off peak)- per kW per month	3.45
Energy charge - cents per kWh	
All kWh (on peak)	0.08482
All kWh (off peak)	0.04868

OUTDOOR LIGHTING

100 Watt H.P.S.	\$ 8.73
150 Watt H.P.S.	11.76
175 Watt M.V.	9.23
250 Watt H.P.S.	14.91
400 Watt H.P.S.	19.19
Outdoor lighting kWh	0.07113

Number of customers:

	2014	2013
Residential	14,325	13,729
Commercial and industrial	2,582	2,500
Street and athletic fields	53	53
Individually billed outdoor lighting	37	31
	<u>16,997</u>	<u>16,313</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF WATER AND SEWER RATES IN FORCE
June 30, 2014

Water Division

Inside City Limits

All customers

\$ 10.80 for first 250 cubic feet
\$ 2.95 per 100 cubic feet in excess of 250 cubic feet

Outside City Limits

All customers

\$16.20 for first 250 cubic feet
\$ 4.43 per 100 cubic feet in excess of 250 cubic feet

Sewer Division

Inside City Limits

All customers

\$ 10.80 for first 250 cubic feet
\$ 2.95 per 100 cubic feet in excess of 250 cubic feet

Outside City Limits

All customers

\$16.20 for first 250 cubic feet
\$ 4.43 per 100 cubic feet in excess of 250 cubic feet

Number of customers:

Water and Sewer

2014	2013
<u>14,355</u>	<u>14,121</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF GAS RATES IN FORCE
June 30, 2014

Residential and commercial - inside city

First 200 cubic feet	\$	3.50
All usage over 200 cubic feet, per ccf		0.99

Residential and commercial - outside city

First 200 cubic feet	\$	3.85
All usage over 200 cubic feet, per ccf		1.09

Industrial

All usage, per ccf	\$	0.86
--------------------	----	------

Preferred interruptible

All usage, per ccf	\$	0.75
--------------------	----	------

Interruptible

First 100,000 cubic feet	\$	0.65
All usage over 100,000 cubic feet, per ccf	\$	0.60

Number of customers:

	<u>2014</u>	<u>2013</u>
Residential	11,725	11,352
Commercial	1,349	1,320
Industrial	46	37
Interruptible	<u>2</u>	<u>3</u>
	<u>13,122</u>	<u>12,712</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
JUNE 30, 2014

AWWA WLCC Free Water Audit Software: Reporting Worksheet

Water Audit Report for: City of Gallatin

Reporting Year: 2014 7/2013 - 6/2014

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	8	2,121.576	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	4		MG/Yr
Water imported:	n/a	0.000	MG/Yr
Water exported:	9	0.000	MG/Yr
WATER SUPPLIED:		2,121.576	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	9	1,695.071	MG/Yr		
Billed unmetered:	n/a	0.000	MG/Yr		
Unbilled metered:	10	59.107	MG/Yr	Pcnt:	Value:
Unbilled unmetered:	9	14.629	MG/Yr		14.629
AUTHORIZED CONSUMPTION:		1,768.807	MG/Yr		

WATER LOSSES (Water Supplied - Authorized Consumption)

352.769 MG/Yr

Apparent Losses

Unauthorized consumption:		5.304	MG/Yr	Pcnt:	Value:
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed					
Customer metering inaccuracies:	8	17.719	MG/Yr	1.00%	
Systematic data handling errors:	9	0.100	MG/Yr		
Apparent Losses:		23.123			

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:		329.646	MG/Yr
WATER LOSSES:		352.769	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 426.505 MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	9	337.0	mi=
Number of active AND inactive service connections:	10	14,355	conn./mile main
Connection density:		43	ft
Average length of customer service line:	10	0.0	ft
Average operating pressure:	6	95.0	psi

COST DATA

Total annual cost of operating water system	8	\$5,004,991	\$/Year
Customer retail unit cost (applied to Apparent Losses):	*	\$2.11	\$/100 cubic feet (ccf)
Variable production cost (applied to Real Losses):	8	\$669.00	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	20.14
Non-revenue water as percent by cost of operating system:	7.44
Annual cost of Apparent Losses:	\$102,315
Annual cost of Real Losses:	\$220,531

Operational Efficiency Indicators

Apparent Losses per service connection per day:	4.41	gallons/connection/day
Real Losses per service connection per day*:	62.91	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.66	gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	137.88	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	329.65	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.39	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 84 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Total annual cost of operating water system

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT - CITY
June 30, 2014

Year Ended June 30,	G.O. Refunding Bonds Series 2004		G.O. Public Improvement Bonds Series 2007		2009 Capital Outlay Note		Sumner County Note		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Total
2015	\$ 335,000	\$ 5,360	\$ 180,000	\$ 283,470	\$ 380,000	\$ 81,506	\$ 89,745	\$ 370,336	\$ 984,745	\$ 1,355,081
2016	-	-	430,000	268,220	400,000	65,406	89,745	333,626	919,745	1,253,371
2017	-	-	445,000	246,345	415,000	48,606	89,745	294,951	949,745	1,244,696
2018	-	-	465,000	223,595	435,000	30,791	89,745	254,386	989,745	1,244,131
2019	-	-	485,000	201,663	460,000	10,638	89,745	212,301	1,034,745	1,247,046
2020	-	-	500,000	180,731	-	-	-	180,731	500,000	680,731
2021	-	-	525,000	158,950	-	-	-	158,950	525,000	683,950
2022	-	-	545,000	136,213	-	-	-	136,213	545,000	681,213
2023	-	-	565,000	113,332	-	-	-	113,332	565,000	678,332
2024	-	-	590,000	90,232	-	-	-	90,232	590,000	680,232
2025	-	-	615,000	66,132	-	-	-	66,132	615,000	681,132
2026	-	-	640,000	40,632	-	-	-	40,632	640,000	680,632
2027	-	-	665,000	13,716	-	-	-	13,716	665,000	678,716
	<u>\$ 335,000</u>	<u>\$ 5,360</u>	<u>\$ 6,650,000</u>	<u>\$ 2,023,231</u>	<u>\$ 2,090,000</u>	<u>\$ 236,947</u>	<u>\$ 448,725</u>	<u>\$ 2,265,538</u>	<u>\$ 9,523,725</u>	<u>\$ 11,789,263</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
PROPRIETARY FUNDS - WATER AND SEWER
SCHEDULE OF LONG-TERM DEBT
June 30, 2014

Year Ended June 30,	Water & Sewer Department					
	Water & Sewer		Water & Sewer		Water & Sewer	
	Rev & Tax Bond - 2008	Rev & Tax Bond - 2004	Rev & Tax Bond - 2011	Principal	Interest	Total Requirements
	Principal	Interest	Principal	Interest	Principal	Total
2015	\$ 775,000	\$ 1,081,363	\$ 300,000	\$ 34,881	\$ 260,000	\$ 1,382,941
2016	800,000	1,052,800	295,000	25,103	270,000	1,335,501
2017	850,000	1,020,800	290,000	15,050	280,000	1,285,348
2018	900,000	985,800	285,000	4,988	405,000	1,231,886
2019	955,000	948,700	-	-	420,000	1,177,648
2020	990,000	908,563	-	-	430,000	1,124,911
2021	1,035,000	866,826	-	-	440,000	1,070,274
2022	1,075,000	821,938	-	-	450,000	1,012,186
2023	1,120,000	769,750	-	-	460,000	946,498
2024	1,180,000	712,250	-	-	490,000	875,198
2025	1,240,000	651,750	-	-	505,000	799,998
2026	1,300,000	588,250	-	-	520,000	722,628
2027	1,365,000	521,625	-	-	535,000	640,385
2028	1,435,000	451,625	-	-	555,000	553,667
2029	1,505,000	378,125	-	-	570,000	462,129
2030	1,580,000	301,000	-	-	590,000	366,194
2031	1,660,000	220,000	-	-	615,000	264,544
2032	1,740,000	135,000	-	-	635,000	158,018
2033	1,830,000	45,750	-	-	-	45,750
	<u>\$ 23,335,000</u>	<u>\$ 12,461,915</u>	<u>\$ 1,170,000</u>	<u>\$ 80,022</u>	<u>\$ 8,430,000</u>	<u>\$ 15,455,704</u>
					<u>\$ 32,935,000</u>	<u>\$ 48,390,704</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
For the Year Ended June 30, 2014

Name	Position	Bond
Jo Ann Graves	Mayor	\$ 250,000
Rachel Nichols	Director of Finance	\$ 250,000
Ronnie Stiles	Director of Public Works	\$ 250,000
David A. Gregory	Superintendent of Public Utilities	\$ 250,000
Donald Bandy	Chief of Police	\$ 250,000
William L. Crook	Fire Chief	\$ 250,000
Charles Stuart	Director of Codes	\$ 250,000
William McCord	Director of Planning	\$ 250,000
David Brown	Director of Leisure Services	\$ 250,000
Debbie Johnson	Director of Human Resources	\$ 250,000
James Fenton	Director of Economic Development	\$ 250,000
Nick Tuttle	City Engineer	\$ 250,000
E. Anne Kemp	Council Member	\$ 250,000
William C. Hayes	Council Member	\$ 250,000
Ronald E. Mayberry	Council Member	\$ 250,000
John D. Alexander	Council Member	\$ 250,000
Julie Brackenbury	Council Member	\$ 250,000
James W. Overton	Council Member	\$ 250,000
Steve C. Camp	Council Member	\$ 250,000

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

	<u>CFDA Number</u>	<u>Pass Through Agency Grant Number</u>	<u>Disbursements</u>
U.S. Department of Transportation			
Passed Through the Tennessee Department of Transportation:			
Highway Planning and Construction - ARRA	20.205	83LPLM-F3-012	\$ 380,782
Highway Planning and Construction	20.205	83LPLM-F3-067	129,061
Highway Planning and Construction - ARRA	20.205	83LPLM-F0-063, F1-064, F3-065	200,461
Passed Through the Tennessee Governor's Highway Safety Office :			
Alcohol Open Containers Requirement	20.607	Z14GHS129	5,000
Total U.S. Department of Transportation			<u>715,304</u>
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	15,000
Bulletproof Vest Partnership Program	16.607	N/A	1,812
Bulletproof Vest Partnership Program	16.607	N/A	4,352
OCDETF Program	16.111	N/A	12,611
Law Enforcement Assistance to FBI Police Training	16.300	N/A	13,527
Total U.S. Department of Justice			<u>47,302</u>
U.S. Department of Homeland Security			
Assistance to Firefighters	97.044*	N/A	247,740
Passed Through the Tennessee Department of Military / Tennessee Emergency Management Agency:			
Disaster Grants Public Assistance	97.036	1909-DR-TN	47,100
Total U.S. Department of Homeland Security			<u>294,840</u>
U.S. Department of Housing and Urban Development			
Passed Through the Tennessee Housing Development Agency:			
Home Investment Partnership Program	14.239	N/A	209,446
Passed Through the Tennessee Department of Economic and Community Development:			
Disaster Recovery Grant	14.228*	N/A	1,182,403
Total U.S. Department of HUD			<u>1,391,849</u>
Total Federal Awards			<u>\$ 2,449,295</u>

* Denotes a major fund for single audit testing.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2014

	<u>State Grant Number</u>	<u>Disbursements</u>
Tennessee Department of Transportation		
Gateway Drive SIA	83LPLM-S3-035	\$ 653,684
Greenlea Dr Extension	83950-3561-04	66,514
Special Litter Grant	40100-04713	<u>10,025</u>
		<u>730,223</u>
Tennessee Department of Military / Tennessee Emergency Management Agency:		
Disaster Grants - Public Assistance	FEMA-1909-DR-TN	<u>2,617</u>
		<u>2,617</u>
Tennessee Department of Conservation		
Railway Improvement Grant	33006-03113	<u>43,421</u>
Tennessee Valley Authority		
Industrial Product Readiness Program	N/A	<u>18,090</u>
Total State Financial Assistance		<u>\$ 794,351</u>

See independent auditor's report.

STATISTICAL SECTION

CITY OF GALLATIN, TENNESSEE STATISTICAL SECTION DIVIDER PAGE

This part of the City of Gallatin, Tennessee's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the City's overall financial health.

Contents:

Financial Trends

These Schedules contain trend information to help readers understand how the City's financial performance and well-being have changed over time. 77

Revenue Capacity

These Schedules contain information to help readers assess the City's most significant local revenue source - its property taxes. 82

Debt Capacity

These Schedules present information to help readers assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 85

Demographic and Economic Information

These Schedules offer demographic and economic indicators to help readers understand the environment within which the City's financial activities take place. 88

Operating Information

These Schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 90

Except where noted, the information in these Schedules is derived from the City of Gallatin, Tennessee's, comprehensive annual financial reports (or financial statements where applicable) for the relevant years. The City implemented GASB 34 in 2003: Schedules presenting government-wide information include information beginning that year.

CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
NET POSITION BY COMPONENT - LAST TEN FISCAL YEARS*
(Prepared using the accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Net investment in capital assets	\$ 48,317,805	\$ 44,409,934	\$ 42,147,155	\$ 46,347,565	\$ 40,679,786	\$ 35,081,049	\$ 30,192,475	\$ 25,940,281	\$ 30,858,306	\$ 26,282,195
Restricted	615,631	568,020	100,024	15,000	(171,346)	(60,463)	315,366	276,859	15,000	922,957
Unrestricted	14,232,475	11,688,071	10,465,112	9,546,556	38,464,287	13,160,946	14,348,514	19,878,514	8,339,620	8,957,037
Total net position	\$ 63,165,911	\$ 56,666,025	\$ 52,712,291	\$ 55,909,121	\$ 78,972,727	\$ 48,181,532	\$ 44,856,355	\$ 46,093,654	\$ 39,212,926	\$ 36,162,189
Business-type activities:										
Net investment in capital assets	\$ 107,506,931	\$ 103,558,594	\$ 99,420,067	\$ 99,497,736	\$ 90,944,012	\$ 82,808,956	\$ 97,346,673	\$ 86,922,174	\$ 78,646,271	\$ 71,055,638
Restricted for workers compensation adjustment ¹	7,522	7,473	7,425	-	-	-	-	-	-	-
Unrestricted	32,232,921	28,661,288	28,194,323	26,219,039	4,919,217	38,074,203	20,291,861	19,344,762	20,545,976	17,055,143
Total net position	\$ 139,747,374	\$ 132,227,355	\$ 127,621,815	\$ 125,716,775	\$ 95,863,229	\$ 120,883,159	\$ 117,638,534	\$ 106,266,936	\$ 99,192,247	\$ 88,110,781
Primary government:										
Net investment in capital assets	\$ 155,824,736	\$ 147,968,528	\$ 141,567,222	\$ 145,845,301	\$ 131,623,798	\$ 117,890,005	\$ 127,539,148	\$ 112,862,455	\$ 109,504,577	\$ 97,337,833
Restricted	623,153	575,493	107,449	15,000	(171,346)	(60,463)	315,366	276,859	15,000	922,957
Unrestricted	46,465,396	40,349,359	38,659,435	35,765,595	43,383,504	51,235,149	34,640,375	39,221,276	28,885,596	26,012,180
Total net position	\$ 202,913,285	\$ 188,893,380	\$ 180,334,106	\$ 181,625,896	\$ 174,835,956	\$ 169,064,691	\$ 162,494,889	\$ 152,360,590	\$ 138,405,173	\$ 124,272,970

CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
CHANGE IN NET POSITION - LAST TEN FISCAL YEARS*

(Prepared using the accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Revenues:										
Program revenues:										
Charges for services	\$ 6,526,770	\$ 4,075,988	\$ 4,813,637	\$ 5,342,165	\$ 4,462,096	\$ 4,127,495	\$ 4,937,573	\$ 4,366,414	\$ 2,950,614	\$ 2,751,837
Operating grants & contributions	1,527,429	1,109,040	949,083	854,869	703,346	1,474,369	848,469	3,502,202	636,779	889,005
Capital grants & contributions	3,533,738	3,975,532	1,465,557	4,020,980	2,383,773	4,022,806	590,405	138,751	1,642,282	1,722,591
General revenues:										
Property taxes	9,930,089	9,999,751	10,711,882	9,823,133	9,514,877	9,106,950	8,608,885	7,928,834	6,555,251	5,987,978
Sales taxes	8,661,499	8,014,658	7,700,686	6,874,129	6,422,853	6,390,038	6,863,042	6,752,289	6,154,339	4,154,177
Franchise taxes	385,802	360,650	379,020	356,845	341,828	327,853	299,962	276,664	248,792	-
Alcoholic beverage taxes	1,165,299	1,117,556	1,067,339	1,039,948	965,092	877,642	953,765	918,743	875,523	-
Business taxes	680,446	639,646	668,252	556,382	485,461	521,590	520,295	483,682	388,283	-
Income taxes	793,306	520,539	859,602	688,179	758,315	80,810	506,966	440,512	220,822	1,409,098
Miscellaneous taxes	-	-	-	1,572	2,075	2,790	142,032	140,403	674,563	1,896,131
Rental and reimbursements	-	-	-	25,863	29,627	35,521	66,445	58,855	590,320	-
Other sources	240,216	319,500	188,417	286,687	106,491	207,570	(866,780)	395,355	417,118	132,450
State and local school revenues	-	-	-	-	-	-	-	-	-	-
Unrestricted interest income	79,958	28,417	5,491	28,999	100,415	519,239	682,761	490,238	234,794	151,986
In lieu of taxes and transfers	1,448,787	1,383,147	987,430	669,414	1,396,522	1,071,242	685,674	887,035	826,908	846,667
Total revenues	<u>34,973,339</u>	<u>31,544,424</u>	<u>29,795,196</u>	<u>30,569,165</u>	<u>27,672,771</u>	<u>28,765,915</u>	<u>24,839,494</u>	<u>26,779,977</u>	<u>22,416,388</u>	<u>19,921,920</u>
Expenses:										
General government	5,147,411	5,070,240	4,753,776	5,833,977	4,634,869	5,936,304	9,294,335	4,234,693	3,426,964	3,530,485
Public safety	11,778,255	11,625,014	11,090,606	10,522,520	10,583,895	10,217,027	9,312,521	8,926,042	7,710,413	6,756,172
Engineering	1,412,832	1,112,112	1,978,103	1,648,991	395,200	636,589	408,330	703,821	521,482	413,530
Environmental services	1,779,918	1,637,569	1,744,131	1,483,595	1,504,489	1,433,602	1,404,985	1,677,427	2,132,344	1,918,049
Animal control	113,487	108,023	119,396	109,535	99,965	112,082	47,647	47,119	42,050	40,235
Public works	1,163,412	1,658,029	1,215,578	572,127	351,059	26,564	226,892	153,821	156,392	138,488
Highways, streets and roadways	1,403,207	1,208,364	1,234,568	1,303,547	1,421,330	2,085,472	1,751,275	1,841,983	1,677,828	1,669,388
Vehicle maintenance	420,964	403,696	404,846	393,742	403,148	376,013	352,822	333,463	311,944	302,551
Parks and recreation	4,043,815	4,290,038	4,074,264	4,182,036	3,845,550	3,238,619	2,449,295	2,768,383	2,579,035	2,404,761
Economic development	444,972	280,227	254,355	222,988	269,588	270,456	278,287	230,687	202,705	-
Interest on debt	481,455	433,883	472,734	484,738	487,066	785,391	320,565	90,045	105,638	94,489
Total expenses	<u>28,189,728</u>	<u>27,828,195</u>	<u>27,342,357</u>	<u>26,757,796</u>	<u>23,996,159</u>	<u>25,118,119</u>	<u>25,846,954</u>	<u>21,007,484</u>	<u>18,866,795</u>	<u>17,268,148</u>
Change in net position	<u>\$ 6,783,611</u>	<u>\$ 3,716,229</u>	<u>\$ 2,452,839</u>	<u>\$ 3,811,369</u>	<u>\$ 3,676,612</u>	<u>\$ 3,647,796</u>	<u>\$ (1,007,460)</u>	<u>\$ 5,772,493</u>	<u>\$ 3,549,593</u>	<u>\$ 2,653,772</u>

CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
CHANGE IN NET POSITION - LAST TEN FISCAL YEARS*

(Prepared using the accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Business-Type activities:										
Program revenues:										
Charges for services	\$100,225,082	\$91,501,059	\$87,971,678	\$90,017,001	\$84,620,482	\$85,400,190	\$81,589,078	\$75,323,725	\$75,920,294	\$64,316,071
Capital grants & contributions	2,317,854	1,152,932	675,644	685,151	253,452	1,252,667	6,918,074	3,526,948	7,931,282	2,800,442
General revenues:										
Other sources	487	2,603	9,359	536,533	10,467	8,506	10,169	5,485	14,447	-
Unrestricted interest income	95,539	121,102	146,100	153,210	200,533	437,057	718,092	1,009,368	876,518	455,739
Total revenues	<u>102,638,962</u>	<u>92,777,696</u>	<u>88,802,781</u>	<u>91,391,895</u>	<u>85,084,934</u>	<u>87,098,420</u>	<u>89,235,413</u>	<u>79,865,526</u>	<u>84,742,541</u>	<u>67,572,252</u>
Expenses:										
Electric	65,344,259	63,093,670	61,686,993	60,976,208	52,252,566	52,075,601	48,441,112	44,556,792	23,127,731	36,874,016
Gas	16,443,781	12,848,397	13,002,653	15,257,278	19,064,230	19,354,295	20,349,492	18,901,303	42,349,573	16,953,730
Golf	-	-	-	-	-	1,011,561	978,014	947,510	911,903	913,014
Water & Sewer	11,170,248	10,846,942	11,256,106	11,510,424	10,386,989	10,073,496	7,656,635	7,130,595	6,444,961	5,842,660
In lieu of taxes - transfer	1,448,787	1,383,147	987,430	669,414	1,396,522	1,071,241	685,674	887,035	826,908	846,667
Total expenses	<u>94,407,075</u>	<u>88,172,156</u>	<u>86,933,182</u>	<u>88,413,324</u>	<u>83,100,307</u>	<u>83,586,194</u>	<u>78,110,927</u>	<u>72,423,235</u>	<u>73,661,076</u>	<u>61,430,087</u>
Change in net position	<u>8,231,887</u>	<u>4,605,540</u>	<u>1,869,599</u>	<u>2,978,571</u>	<u>1,984,627</u>	<u>3,512,226</u>	<u>11,124,486</u>	<u>7,442,291</u>	<u>11,081,465</u>	<u>6,142,165</u>
Total change in net position	\$ 15,015,498	\$ 8,321,769	\$ 4,322,438	\$ 6,789,940	\$ 5,661,239	\$ 7,160,022	\$ 10,117,026	\$ 13,214,784	\$ 14,631,058	\$ 8,795,937

CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
FUND BALANCES, GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS

(Prepared using the accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Funds:										
(Pre-GASB 54)										
Unreserved:										
General fund	\$ -	\$ -	\$ -	\$ -	\$ 10,410,950	\$ 11,213,358	\$ 9,577,025	\$ 11,955,011	\$ 8,291,690	\$ 9,276,034
Special revenue funds	-	-	-	-	(2,955)	22,272	24,557	-	174,246	192,017
Capital projects funds	-	-	-	-	28,754,178	(11,509,512)	4,745,837	7,910,831	472,836	457,490
Permanent funds	-	-	-	-	374,321	353,996	336,050	309,421	297,147	286,970
Total unreserved fund balance	-	-	-	-	39,536,494	80,114	14,683,469	20,175,263	9,235,919	10,212,511
Reserved	-	-	-	-	(123,720)	(11,904)	340,885	302,608	31,228	15,000
(Post-GASB 54)										
Nonspendable	86,851	105,468	84,581	101,966	-	-	-	-	-	-
Restricted	579,606	531,995	455,722	352,817	-	-	-	-	-	-
Committed	205,085	226,979	184,395	173,501	-	-	-	-	-	-
Assigned	2,734,115	1,915,974	2,122,761	2,735,185	-	-	-	-	-	-
Unassigned	11,455,850	8,689,632	7,922,642	6,542,843	-	-	-	-	-	-
	<u>\$ 15,061,507</u>	<u>\$ 11,470,048</u>	<u>\$ 10,770,101</u>	<u>\$ 9,906,312</u>	<u>\$ 39,412,774</u>	<u>\$ 68,210</u>	<u>\$ 15,024,354</u>	<u>\$ 20,477,871</u>	<u>\$ 9,267,147</u>	<u>\$ 10,227,511</u>

CITY OF GALLATIN, TENNESSEE
FINANCIAL TREND INFORMATION -
CHANGES IN FUND BALANCES FOR TOTAL GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS

(Prepared using the accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Taxes	\$ 18,393,292	\$ 17,768,774	\$ 17,262,010	\$ 20,056,287	\$ 19,177,101	\$ 17,989,604	\$ 15,198,823	\$ 14,335,011	\$ 12,472,166	\$ 11,614,584
Licenses	467,638	402,533	315,602	247,346	278,110	615,775	851,142	696,601	529,282	504,675
Fines and penalties	2,556,501	884,878	1,479,913	2,307,129	1,424,589	1,446,691	1,737,566	1,567,133	966,013	639,128
Charges for services	3,481,559	2,849,243	2,993,059	2,787,690	2,759,398	2,064,030	2,348,866	2,102,680	1,455,320	1,422,581
Intergovernmental	8,688,804	6,696,213	5,742,786	3,325,809	2,466,644	791,301	4,092,959	3,691,619	3,136,744	2,768,336
Other	708,339	544,215	240,819	173,100	153,771	606,747	1,341,916	901,885	918,555	639,449
Total revenues	34,276,133	29,145,856	28,034,189	28,897,361	26,259,613	23,514,148	25,571,272	23,294,929	19,478,080	17,588,753
Expenditures										
General government	4,825,287	4,559,323	4,443,691	4,391,895	4,005,982	4,652,977	3,750,244	3,959,253	3,211,107	3,048,931
Public safety	11,452,818	10,770,629	10,760,468	9,960,491	9,841,580	9,688,847	9,295,197	8,259,007	7,113,058	6,167,861
Engineering	1,353,632	1,006,769	1,955,555	746,367	395,200	372,252	407,115	666,725	482,915	306,312
Environmental services	1,641,126	1,525,929	1,586,909	1,434,591	1,430,341	1,323,296	1,399,275	1,597,138	2,055,365	1,678,479
Animal control	113,487	109,023	117,017	108,815	99,965	90,649	47,647	47,119	42,050	39,931
Public works	453,374	264,185	592,211	185,426	152,145	149,677	145,258	139,527	139,229	126,064
Highways and streets	1,374,830	1,100,961	1,154,834	1,303,547	1,421,330	1,362,428	1,368,131	1,359,228	1,227,775	1,136,618
Vehicle maintenance	418,626	399,019	402,507	391,610	403,148	364,901	349,320	329,108	311,705	301,233
Parks and recreation	3,763,086	3,597,451	3,731,027	3,597,665	3,392,380	2,645,342	2,466,439	2,333,959	2,183,941	1,970,462
Economic Development Agency	444,972	280,227	254,355	211,193	234,598	230,201	217,975	224,440	198,999	-
Other program cost	-	-	-	-	(291)	291	-	243,714	125,960	50,339
Debt service:										
Principal	860,000	835,000	800,000	775,000	760,000	425,000	410,000	775,000	760,000	750,000
Interest	403,564	431,901	458,795	484,739	487,066	627,829	321,681	90,045	117,245	141,346
Capital outlay - capital	4,787,847	5,188,144	1,708,556	8,825,328	7,077,681	7,085,559	11,624,680	1,594,163	3,832,929	2,812,563
Total expenditures	31,892,649	30,066,561	27,965,925	32,386,667	29,701,125	29,019,249	31,802,962	21,618,426	21,802,278	18,530,139
Excess (deficiency) of revenues over (under) expenditures	2,383,484	(920,705)	68,264	(3,489,306)	(3,441,512)	(5,505,101)	(6,231,690)	1,676,503	(2,324,198)	(941,386)
Other financing sources (uses):										
Contributions	-	-	-	19,955	384,662	63,156	42,038	486,113	92,070	-
Forgiveness of golf course debt	-	-	-	-	-	-	-	-	-	-
Proceeds of long-term debt	-	-	-	-	-	3,642,438	-	7,500,000	-	-
Insurance proceeds	-	-	-	130,254	74,359	138,900	27,651	26,597	323,677	-
Sale of capital assets	-	-	-	38,194	8,404	16,684	3,661	15,966	-	-
In lieu of tax payments from utility*	1,448,787	1,383,147	987,430	669,414	1,396,522	1,071,241	685,674	887,035	826,907	846,667
Operating transfers in	2,183,420	2,866,662	1,994,252	-	-	-	-	-	-	-
Operating transfers out	(2,183,420)	(2,807,596)	(1,994,252)	-	-	-	-	-	-	-
Total other financing sources (uses)	1,448,787	1,442,213	987,430	857,817	1,863,947	4,932,419	759,024	8,895,711	1,242,654	846,667
Net changes in fund balances	\$ 3,832,271	\$ 521,508	\$ 1,055,694	\$ (2,631,489)	\$ (1,577,565)	\$ (572,682)	\$ (5,472,666)	\$ 10,572,214	\$ (1,081,544)	\$ (94,719)
Debt services as a percentage of non-capital expenditures	4.89%	5.37%	5.04%	5.30%	5.50%	4.80%	3.60%	4.30%	4.90%	5.70%

**CITY OF GALLATIN, TENNESSEE
REVENUE CAPACITY INFORMATION
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY -
LAST TEN TAX YEARS**

TAX YEAR	APPRAISED VALUE			ASSESSED VALUE AS A PERCENTAGE OF ACTUAL	TOTAL DIRECT TAX RATE*
	TOTAL TAXABLE ASSESSED VALUE	TAX EXEMPT PROPERTY	ESTIMATED ACTUAL TAXABLE VALUE		
2014	\$ 974,737,567	\$ 17,806,242	\$ 3,274,916,338	30.31%	\$ 0.99
2013	962,079,513	17,806,242	2,982,691,390	32.85%	0.99
2012	944,739,332	17,321,500	3,148,310,625	30.56%	0.99
2011	921,041,801	16,983,625	3,094,122,921	30.32%	0.99
2010	903,798,781	16,697,225	3,043,499,576	30.24%	0.99
2009	772,787,864	7,559,875	2,634,149,025	29.62%	1.12
2008	728,115,320	6,878,800	2,458,859,601	29.89%	1.12
2007	671,943,489	7,680,475	2,241,616,040	30.32%	1.12
2006	550,729,184	7,060,850	1,850,742,548	30.14%	1.12
2005	509,114,317	9,688,400	1,681,953,966	30.85%	1.12

* Per \$100 of assessed valuation

Note - Property of the City is reappraised periodically. For this reason appraised value is considered equal to actual value. All information was pulled from the tax levies by the year noted.

**CITY OF GALLATIN, TENNESSEE
REVENUE CAPACITY INFORMATION
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND NINE YEARS AGO**

	2014		2005	
	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION
Sumner Regional Medical Center	\$ 89,172,100	9.62%	\$ -	0.00%
Gap, Inc.	76,300,000	8.23%	59,152,800	19.76%
Wellington Farms Apts.	32,661,100	3.52%	-	0.00%
MAA Brik	25,764,200	2.78%	-	0.00%
Stoneridge Farms	25,000,000	2.70%	16,062,156	5.37%
Citadel Prop V LLC	16,210,057	1.75%	-	0.00%
ABC Group Prop, Inc.	14,145,900	1.53%	-	0.00%
Walmart Real Estate	13,110,500	1.41%	-	0.00%
Isaacson/Steen	12,781,300	1.38%	-	0.00%
Kroger, LPI	12,616,800	1.36%	-	0.00%
Hoeganaes Corp	-	0.00%	16,713,023	5.58%
TLP Devco	-	0.00%	11,602,085	3.88%
R R Donnelley & Sons	-	0.00%	8,617,505	2.88%
Crescent	-	0.00%	7,439,140	2.49%
TLP Development Corp	-	0.00%	7,141,230	2.39%
Sumner Medical Plaza	-	0.00%	6,182,228	2.07%
Bosch Corporation	-	0.00%	5,837,754	1.95%
Gap Inc & Subs Ent	-	0.00%	4,283,146	1.43%
Totals	\$ 317,761,957	34.28%	\$ 143,031,067	47.80%

Information was obtained from the property tax rolls for the years noted.

**CITY OF GALLATIN, TENNESSEE
REVENUE CAPACITY INFORMATION
PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS**

FISCAL YEAR	ASSESSED VALUATION	TOTAL LEVY	TAX YEAR OF LEVY	COLLECTED WITHIN TAX YEAR OF LEVY	PERCENT COLLECTED	COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS	TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY
2014	\$ 974,737,567	\$ 9,542,926	\$ 9,336,177	\$ 9,336,177	97.83%	\$ -	\$ 9,336,177	97.83%
2013	962,079,513	9,367,869	9,078,911	9,078,911	96.92%	228,933	9,307,844	99.36%
2012	944,739,332	9,440,679	8,792,522	8,792,522	93.13%	598,636	9,391,158	99.48%
2011	921,041,801	9,118,314	8,756,928	8,756,928	92.60%	323,914	9,080,842	99.59%
2010	903,798,781	8,947,608	8,794,819	8,794,819	98.29%	110,261	8,905,080	99.52%
2009	772,787,864	8,655,224	8,743,629	8,743,629	101.02%	580,356	9,323,985	107.73%
2008	728,115,320	8,154,892	8,284,247	8,284,247	101.59%	175,939	8,460,186	103.74%
2007	671,943,489	7,525,767	7,394,843	7,394,843	98.26%	97,565	7,492,408	99.56%
2006	550,729,184	6,168,167	6,023,784	6,023,784	97.66%	127,691	6,151,475	99.73%
2005	509,114,317	5,702,080	5,732,482	5,732,482	100.53%	215,372	5,947,854	104.31%

Assessed valuation amount was taken from the property tax levy for the year noted.

CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS

FISCAL YEAR	POPULATION*	PERSONAL INCOME**	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES				TOTAL PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
			GENERAL OBLIGATION BONDS		NOTES	TOTAL GOVERNMENTAL	REVENUE & TAX BONDS		NOTES	TOTAL BUSINESS- TYPE ACTIVITIES			
2014	32,307	\$ 25,534	\$ 6,985,000	\$ 2,538,725	\$ 9,523,725	\$ 32,935,000	\$ 461,503	\$ 33,396,503	\$ 42,920,228	\$ 1,328.51	5.20%		
2013	31,414	22,963	7,480,000	2,455,000	9,935,000	34,215,000	620,751	34,835,751	44,770,751	1,425.18	6.21%		
2012	30,278	23,465	7,960,000	2,810,000	10,770,000	35,680,000	744,902	36,424,902	47,194,902	1,558.72	6.64%		
2011	30,278	23,138	8,865,000	3,480,000	12,345,000	32,666,168	993,202	33,659,370	46,004,370	1,519.40	6.57%		
2010	28,677	23,138	8,865,000	3,480,000	12,345,000	32,666,168	993,202	33,659,370	46,004,370	1,519.40	6.57%		
2009	28,198	23,465	13,105,000	-	13,105,000	33,864,444	1,117,352	34,981,796	48,086,796	1,676.84	7.15%		
2008	27,569	24,631	9,730,000	-	9,730,000	7,360,000	-	7,360,000	17,090,000	606.07	2.46%		
2007	23,917	25,370	10,140,000	-	10,140,000	7,900,000	-	7,900,000	18,040,000	654.36	2.58%		
2006	23,917	32,305	3,510,000	-	3,510,000	8,445,000	-	8,445,000	11,955,000	499.85	1.55%		
2005	23,917	29,279	4,175,000	-	4,175,000	8,940,000	-	8,940,000	13,115,000	548.35	1.87%		

* SOURCE FOR POPULATION: US Census Bureau

** PERSONAL INCOME amounts were obtained from State estimates.

CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
RATIOS OF GENERAL BONDED DEBT OUTSTANDING - LAST TEN FISCAL YEARS

GOVERNMENTAL ACTIVITIES										
FISCAL YEAR	POPULATION	GENERAL OBLIGATION BONDS		TOTAL GOVERNMENTAL		BUSINESS - TYPE ACTIVITIES - NOTES	TOTAL PRIMARY GOVERNMENT	APPRAISED VALUE	RATIO OF GENERAL OBLIGATION DEBT TO APPRAISED VALUE	NET GENERAL OBLIGATION DEBT PER CAPITA
2014	32,307	\$ 6,985,000	\$ 2,538,725	\$ 9,523,725	\$ 461,503	\$ 9,985,228	\$ 962,079,513	1.04%	\$ 309.07	
2013	31,414	7,480,000	2,455,000	9,935,000	620,751	10,555,751	962,079,513	1.10%	336.02	
2012	30,278	7,960,000	2,810,000	10,770,000	744,902	11,514,902	944,739,332	1.22%	380.31	
2011	30,278	8,420,000	3,150,000	11,570,000	869,052	12,439,052	921,041,801	1.35%	410.83	
2010	30,278	8,865,000	3,480,000	12,345,000	993,202	13,338,202	903,798,781	1.48%	440.52	
2009	28,677	13,105,000	-	13,105,000	1,117,352	14,222,352	772,787,864	1.84%	495.95	
2008	28,198	9,730,000	-	9,730,000	-	9,730,000	728,115,320	1.34%	345.06	
2007	27,569	10,140,000	-	10,140,000	-	10,140,000	671,943,489	1.51%	367.80	
2006	23,917	3,510,000	-	3,510,000	-	3,510,000	550,729,184	0.64%	146.76	
2005	23,917	4,175,000	-	4,175,000	-	4,175,000	509,114,317	0.82%	174.56	

* SOURCE FOR POPULATION: US Census Bureau

**CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
PLEDGED REVENUE COVERAGE - LAST TEN FISCAL YEARS**

FISCAL YEAR	UTILITY SERVICE CHARGES	LESS: OPERATING EXPENSES	NET REVENUE AVAILABLE FOR DEBT		PRINCIPAL	INTEREST	TOTAL	PERCENT OF COVERAGE
			SERVICE					
2014	\$ 12,259,008	\$ 6,548,582	\$ 5,710,426	\$	1,280,000	\$ 1,420,441	\$ 2,700,441	211.46%
2013	11,293,065	5,934,780	5,358,285		1,465,000	1,464,908	2,929,908	182.88%
2012	10,944,632	6,380,348	4,564,284		1,334,150	1,444,529	2,778,679	164.26%
2011	10,784,113	6,825,971	3,958,142		1,140,000	1,404,543	2,544,543	155.55%
2010	9,822,137	6,127,486	3,694,651		905,000	1,286,094	2,191,094	168.62%
2009	9,371,205	5,955,230	3,415,975		940,000	1,392,100	2,332,100	146.48%
2008	8,529,877	5,387,709	3,142,168		640,000	261,699	901,699	348.47%
2007	7,961,528	4,774,065	3,187,463		545,000	280,828	825,828	385.97%
2006	7,133,277	4,224,096	2,909,181		495,000	295,883	790,883	367.84%
2005	7,218,859	3,719,668	3,499,191		490,000	320,726	810,726	431.61%

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses. Sales tax increment bonds are backed by the sales tax revenue produced by the sales tax rate in effect when the bonds were issued (2.5 percent) applied to the increase in retail sales in the Commons shopping area since that time.

CITY OF GALLATIN, TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION
DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN FISCAL YEARS

CALENDAR YEAR	CITY POPULATION*	COUNTY POPULATION*	PERSONAL INCOME**	PER CAPITA PERSONAL INCOME**	MEDIAN AGE*	COUNTY SCHOOL ENROLLMENT ***	COUNTY UNEMPLOY- MENT RATE****
2014	32,307	168,888	\$ 45,603	\$ 25,534	37.4	28,361	5.60%
2013	31,414	165,950	42,425	22,963	37.5	28,508	6.70%
2012	30,278	160,645	45,665	23,465	36.6	28,626	8.40%
2011	30,278	160,645	45,858	23,138	36.6	27,333	8.70%
2010	28,677	162,527	45,665	23,465	38.1	27,177	9.78%
2009	28,198	159,013	48,993	24,631	37.9	26,493	7.90%
2008	27,569	156,533	49,379	25,370	37.7	26,528	5.90%
2007	23,917	130,449	34,696	32,305	35.5	26,528	3.80%
2006	23,917	130,449	34,696	29,279	35.5	26,111	3.30%
2005	23,917	130,449	34,696	28,544	36.5	25,528	4.10%

* US Census Bureau

** State Estimate

*** Sumner County School Board

**** Tennessee State Department of Labor, Statistical Services

**CITY OF GALLATIN, TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION
PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO**

	2014			2005		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Sumner County Schools	3,980	1	35.18%	3617	1	35.99%
Sumner Regional Medical Center	1,090	2	9.63%	687	3	6.84%
Gap, Inc.	850	3	7.51%	1100	2	10.94%
Walmart	450	4	3.98%	450	5	4.48%
Servpro Industries, Inc.	432	5	3.82%	N/A	N/A	N/A
City of Gallatin	380	6	3.36%	280	8	2.79%
YSF Automotive Systems	353	7	3.12%	N/A	N/A	N/A
Hoeganaes	243	8	2.15%	N/A	N/A	N/A
R.R. Donnelley & Sons	225	9	1.99%	349	6	3.47%
ABC Technologies	211	10	1.87%	N/A	N/A	N/A
ABC Group Fuel Systems	N/A	N/A	N/A	260	9	2.59%
Vol State	N/A	N/A	N/A	339	7	3.37%
Bosch Automotive	N/A	N/A	N/A	485	4	4.83%
G F Furniture	N/A	N/A	N/A	240	10	2.39%

Sources: Tennessee Department of Labor Workforce & Development and City of Gallatin's Economic Development

**CITY OF GALLATIN, TENNESSEE
OPERATING INFORMATION
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS**

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government:										
Mayor's Office	3	3	3	3	3	3	2	2	4	3
Planning (Combined in 2010)	6	0	0	0	0	6	7	7	6	5
Finance	8	8	8	8	5	4	5	5	5	5
City Attorney	3	3	3	3	3	3	3	2	2	2
Recorder	7	7	7	7	7	7	5	5	4	3
Personnel	2	1	2	2	2	2	2	3	3	3
Codes	7	13	13	14	14	8	9	9	7	7
Economic Development Agency	2	2	2	2	2	2	2	2	2	2
Information Technology	0	0	0	0	3	3	3	2.00	-	-
Public Safety:										
Police	94	89	88	88	90	90	81	82	75	73
Fire	72	71	71	73	58	58	55	55	50	50
Public Works	49	48	49	48	47	45	45	45	41	41
Leisure Services	31	30	30	29	29	29	22	22	20	20
Engineering	6	6	6	5	5	5	5	5	4	5
Public Utilities	82	85	86	85	84	79	80	80	64	64
Golf Course	0	0	0	0	0	0	8	8	8	8
Total	372	366	368	367	352	344	334	334	295	291

**Sources: PERSONNEL OFFICIAL
*AUDITS PRIOR YEARS**

2009 numbers include 7 PPT employees and consolidates the 7 Golf personnel under Leisure Services. It does not include 14 unfilled positions (total authorized manning 358).
2010 numbers include 6 PPT employees and combines 6 Planning and 8 Codes employees into one department. It does not include 5 unfilled positions (total authorized manning 357).
2011 numbers include 6 PPT employees and combines 3 IT and 5 Finance. It does not include 6 unfilled positions (total authorized manning 373 as of 6/30/11) (377 as of 7/1/11)
2012 numbers include 3 PPT employees. It does not include 9 unfilled positions (total authorized manning 377 as 6/30/12)
2013 numbers include 3 PPT employees. It does not include 11 unfilled positions (total authorized manning 377 as 6/30/13)

CITY OF GALLATIN, TENNESSEE
OPERATING INDICATORS BY FUNCTION / PROGRAM, LAST TEN FISCAL YEARS

FUNCTION / PROGRAM	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Physical arrests	3,772	4,913	4,526	4,911	5,450	6,019	6,277	6,678	7,363	8,154
Parking violations	420	634	450	1,087	815	1,216	1,538	1,305	1,124	1,429
Traffic violations	13,231	20,494	19,237	23,657	27,906	28,272	23,022	27,769	32,685	35,499
* Red Light Camera Citations	7,029	5,953	7,188	10,986	13,610	10,790	16,021	14,125	N/A	N/A
Fire										
Emergency responses	3,120	2,973	3,016	3,176	2,474	1,901	2,456	2,043	874	756
Fires extinguished	120	105	110	102	95	82	125	97	76	113
Inspections	829	1,194	1,170	731	810	942	1,500	5,602	2,351	1,858
Animal Control										
Animals Restrained	388	491	786	765	967	1,187	796	810	939	997
Highways and Streets										
Street resurfacing (miles)	5.0	5.6	8	3	1	7	14	14	6	2
Potholes repaired	546	122	N/A	N/A	398	273	344	455	N/A	N/A
Other Public Works										
Utility cuts repaired	175	142	142	171	122	147	154	130	218	N/A
Parks and Recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community center admissions	230,000	230,000	230,000	230,000	220,000	220,000	250,000	240,000	235,000	225,000
Community Service										
Number of organization benefited	16	16	16	16	16	17	15	15	15	15
Number of services benefited	4	4	4	4	4	4	5	5	5	3
Environmental Services										
Tons hauled	11,376	11,588	10,145	11,384	11,420	11,376	11,690	11,890	12,278	11,041
Water										
New connections	272	238	212	188	183	288	378	470	477	544
Water main breaks	40	32	36	48	50	62	56	48	39	44
Average daily consumption (thousands of gallons)	5,944	5,948	6,246	6,705	6,794	6,742	7,074	6,054	6,046	6,227
Peak daily consumption (thousands of gallons)	9,277	9,714	10,265	8,309	7,233	8,108	9,616	9,959	8,535	7,879
Sewer										
Average daily treatment (thousands of gallons)	6,992	6,285	5,621	5,835	5,392	5,172	4,550	5,225	4,698	5,183
Electric										
Average daily consumption (thousands of kilowatt hours)	2,184	2,176	2,164	2,146	2,140	1,858	2,161	2,062	2,092	2,024
Natural Gas										
Average Daily Consumption: Summer -April/October (thousands of cubic feet)	5,117	4,723	4,319	4,928	4,068	3,746	4,311	3,509	3,572	3,986
Winter-November/March (thousands of cubic feet)	9,660	8,823	6,940	9,102	7,860	7,401	7,664	7,377	6,930	7,520
Golf										
Rounds Played	45,000	45,000	45,000	44,000	46,000	46,000	45,000	45,728	44,091	41,642

Sources: Various city departments
Notes: Indicators are not available for the general government function

**CITY OF GALLATIN, TENNESSEE
OPERATING INFORMATION**

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM, LAST TEN FISCAL YEARS

FUNCTION / PROGRAM	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	73	64	77	70	71	67	62	61	59	54
Fire										
Stations	4	4	4	3	3	3	3	3	3	3
Fire trucks	8	7	7	9	9	9	9	9	9	9
Animal Control										
Trucks	2	2	2	2	2	2	2	1	1	1
Highways and Streets										
Streets (miles)	195.0	194.5	194	193	186	184	182	185	184	182
Streetlights	3,678	3,602	3,602	3,511	3,562	3,322	3,443	3,266	3,230	3,141
Traffic signals	354	352	352	358	330	329	320	251	251	N/A
Sidewalks (miles)	45	44	42	41	37	35	33	33	29	28
Parks and Recreation										
Acreage	532	532	532	532	532	532	486	486	486	486
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	23	23	23	23	23	23	23	23	19	19
Soccer/football fields	8	8	8	8	8	8	8	8	8	8
Community centers	2	2	2	2	2	2	2	2	2	2
Volleyball Courts	4	4	4	4	4	4	4	4	4	4
Basketball Courts	6	6	6	6	6	6	6	6	4	4
Picnic Shelters	13	14	14	13	13	13	13	13	13	13
Tennis Courts	6	6	6	6	6	6	6	6	9	9
Horseshoe Plts	9	9	9	9	9	9	9	9	9	9
Fishing Piers	2	2	2	2	2	2	2	2	2	2
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Walking Trail (miles)	8	5	5	4	4	4	4	4	3	3
Disc Golf (holes)	18	18	18	18	18	18	18	18	18	18
Model Airplane Strip	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Environmental Services										
Refuse Trucks	21	20	19	18	17	16	15	13	13	N/A
Water										
Water mains (miles)	343	340	323	338	336	335	333	325	319	218
Fire hydrants	1,902	1,893	1,888	1,888	1,850	1,828	1,802	1,760	1,715	1,610
Storage capacity (thousands of gallons)	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	8,000
Percent of Water Loss in System	15	15	20	21	23	22	12	7	4	6
Sewer										
Sewer mains (miles)	233	231	220	220	217	217	216	196	327	178
Pump Stations	40	40	40	40	37	37	37	37	32	33
Natural Gas										
Gas lines (miles)	368	363	361	360	359	355	350	338	328	313
Golf										
Acres	136	136	136	136	136	136	136	136	136	136
Holes	18	18	18	18	18	18	18	18	18	18
Driving Range	1	1	1	1	1	1	1	1	1	1

Sources: Various city departments

Notes: No capital asset indicators are available for the general government.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

*American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2014, and the related notes to financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2014.

Our report includes a reference to other auditors who audited the financial statements of the Electric Division as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs during our audit, we did identify a deficiency in internal control that we consider to be a material weakness. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the schedule of findings and questioned costs as item 2011-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition we noted other matters involving the internal control and its operation that we reported to management of the City in a separate letter dated December 5, 2014.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Alexander Thompson Arnold, PLLC".

Jackson, Tennessee
December 5, 2014

Members of:

*American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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**Independent Auditor's Report on Compliance for Each Major
Program and Report on Internal Control over Compliance
Required by OMB Circular A-133**

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Gallatin, Tennessee's (the City) compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, reading "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Jackson, Tennessee
December 5, 2014

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Disaster Recover Grant
97.044	Assistance to Firefighters

Dollar threshold used to distinguish between type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee?

 yes x no

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

2011-01 Audit Adjustments (Material Weakness)

Condition: The City maintains the books of the proprietary funds throughout the year on a modified-cash basis and then adjustments are made during the audit to convert from modified to full accrual. Identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a deficiency in internal control even if management subsequently corrects the misstatement. During the audit there were entries posted to reclassify items from income statement accounts to the balance sheet including capital asset purchases in the proprietary funds and additionally there were material entries in the governmental funds for property tax receivables and unrecorded accounts payable in the governmental funds.

Criteria: A good system of internal control is part of generally accepted accounting principles.

Effect: Keeping the books on the modified cash basis for the proprietary funds and not reconciling all balance sheet accounts for all funds causes the financial statements to be materially misstated during the year.

Recommendation: Management should review the adjustments made during the audit to determine what entries should be recorded during the fiscal year prior to beginning the annual audit. Most of these entries could be determined by management prior to the audit and recorded as estimates when necessary. In addition the books for the proprietary funds should be kept on the full accrual basis.

Response: Management will make every effort to post year-end entries prior to the beginning of the audit process.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings

None reported.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

Financial Statement Findings

Finding Number	Finding Title	Status
2011-001	Audit Adjustments (Material Weakness)	Repeated

Federal Award Findings and Questioned Costs

There were no prior year findings

CITY OF GALLATIN, TENNESSEE
CORRECTIVE ACTION PLAN
June 30, 2014

The City of Gallatin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2014

The findings from the June 30, 2014 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2011-01 Audit Adjustments (Material Weakness)

Recommendation: Management should review the adjustments made during the audit to determine what entries should be recorded during the fiscal year prior to beginning the annual audit. Most of these entries could be determined by management prior to the audit and recorded as estimates when necessary. In addition the books for the proprietary funds should be kept on the full accrual basis.

Response: Management will make every effort to post year-end entries prior to the beginning of the audit process